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IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

INDIUM CORPORATION OF AMERICA,
Petitioner,

v.

SEMI-ALLOYS, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ROGER W. PARKHURST
PARKHURST & OLIFF
277 South Washington Street
P.O. Box 19928
Alexandria, Virginia 22320
Telephone: (703) 836-6400
Attorney for Petitioner
Indium Corporation of America

Of Counsel:

EDWARD P. WALKER
PARKHURST & OLIFF
277 South Washington Street
P.O. Box 19928
Alexandria, Virginia 22320
Telephone: (703) 836-6400

THOMAS J. WALL
BRUNS & WALL
Hills Building
Syracuse, New York 13202
Telephone: (315) 422-7383

MICHAEL H. STEPHENS
ABELOVE, SEIGEL, HESTER & STEPHENS
124 Bleecker Street
Utica, New York 13501
Telephone: (315) 724-8101

QUESTIONS PRESENTED FOR REVIEW

1. Does not a plaintiff have undoubted antitrust standing to recover for injuries resulting from antitrust violations of his direct competitor within a clearly defined relevant market?

A. Is definition of the relevant market irrelevant to antitrust standing?

B. Is it not illogical and erroneous as a matter of law to attempt to apply a relevant market "entry preparedness test" without defining that relevant market?

C. Does application of a market "entry preparedness test" supplant the fundamental relevant market definition inquiry?

2. Does not a direct competitor in a relevant market have antitrust standing to recover for injuries resulting from defendant's monopolization of that relevant market caused by defendant's enforcement of fraudulently procured patents?

3. Does not a defendant's attempt to license a direct competitor plaintiff under knowingly fraudulently procured and previously enforced patents constitute an attempt to enforce them against plaintiff which, *inter alia,* vests the Federal Courts with declaratory judgment jurisdiction to adjudicate plaintiff's claims of patent misuse, invalidity and non-infringement?

PARTIES TO THE PROCEEDING

The parties named in the caption are the only parties in this case. But see page 3, footnote 1, *infra.*

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Petitioner Indium Corporation of America (hereinafter "Indium") requests this Court to issue a Writ of Certiorari to review the judgment herein of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit, reported at 781 F.2d 879 (Fed. Cir. 1985) ["Indium IV"], is attached as Appendix A, page A-1 of this petition.

The three published opinions of the United States District Court for the Northern District of New York, reported at 566 F. Supp. 1344 (N.D.N.Y. 1983) ["In-

dium I"], 591 F. Supp. 608 (N.D.N.Y. 1984) ["Indium II"] and 611 F. Supp. 379 (N.D.N.Y. 1985) ["Indium III"], are reprinted as Appendices B-D, pages B-1, C-1 and D-1 of this Petition.

THIS COURT'S JURISDICTION

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1). The Federal Circuit judgment here for review was entered on December 26, 1985. The Federal Circuit Order denying Indium's Petition for Rehearing was entered on February 24, 1986. See Appendices E and F, *infra*.

STATUTES INVOLVED

Section 4 of the Clayton Act, 15 U.S.C. § 15, provides in relevant part as follows:

> [A]ny person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States . . . and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee.

The entirety of Section 4 of the Clayton Act, as well as Section 16 of the Clayton Act, 15 U.S.C. § 26, Sections 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1 and 2, and the Declaratory Judgment Act, 28 U.S.C. § 2201, which are also involved, are set forth in Appendix G, *infra*.

STATEMENT OF THE CASE

A. *Nature of the Case*

Petitioner Indium appealed to the U.S. Court of Appeals for the Federal Circuit the judgment of the U.S. District Court for the Northern District of New York, granting *summary judgment* to Semi-Alloys, Inc. ["SA"].[1] Indium manufactures and markets gold-tin "frames" both separately and as "tack-welded frame-lids," for hermetically sealing high reliability packages for semiconductor chips. Indium sued SA, another manufacturer of such products, seeking declaratory judgment that SA's patents are invalid and unenforceable, and not infringed by Indium; a permanent injunction enjoining SA from initiating or threatening infringement litigation against Indium or any of Indium's customers; treble damages and injunction for SA's antitrust violations; damages for SA's acts of unfair competition; and costs and attorneys' fees.

The evidence conclusively demonstrates that at least *one hundred thirty-six thousand* (136,000) units of the device sought to be patented *were sold,* and *millions were offered for sale,* by SA more than one year before knowingly, intentionally and fraudulently filing the initial patent application, (Cf. 35 U.S.C. § 102(b)). Mr. Hascoe, SA's president, executed and filed in the U.S. Patent and Trademark Office (PTO) *five* (5) separate, perjured oaths, each denying *any* such early sales, and withheld all knowledge thereof from the PTO. Thus fraudulent procurement of the patents in suit was *prima facie* proven.[2]

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[1] SA subsequently became a division of Allied Corp., now Allied/Signal Corp.

[2] *J.P. Stevens & Co. v. Lex Tex Ltd., Inc.*, 747 F.2d 1553 (Fed. Cir. 1984)

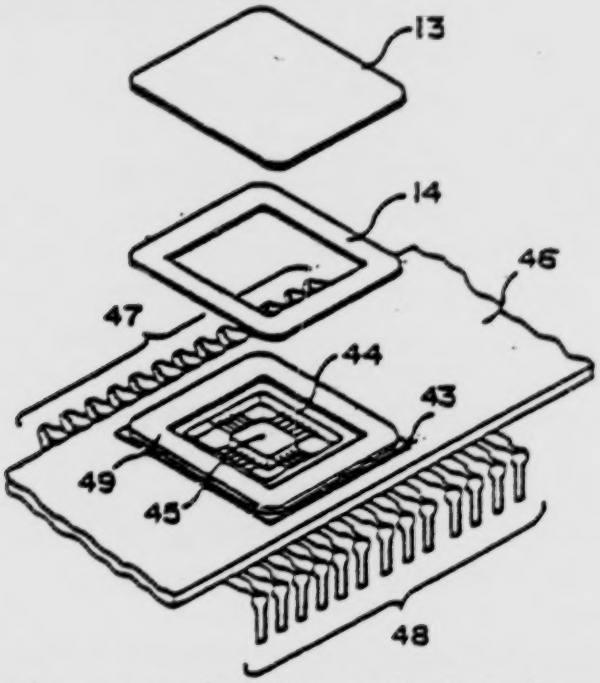
Indium demonstrated at least three distinct bases for its antitrust case: (1) a Sherman § 1 conspiratorial settlement of SA's prior patent litigation to preserve SA's fraudulent patents and to maintain SA's monopolistic share and economic power in the relevant market; (2) under Sherman § 2 SA attempted, and succeeded, in monopolizing the relevant market by fraudulent procurement and enforcement of the patents; and (3) SA successfully monopolized the relevant market by a scheme of intentional acts including a series of bad faith suits (including a state court suit against Indium), fraudulent concealment of patent invalidity, conspiracy, and attempts to license—in violation of Sherman § 1 and § 2.

B. *Summary of the Proceedings Below*

Indium filed its initial Complaint on May 19, 1982. On motion the District Court dismissed, *Indium I,* but granted Indium leave to amend. In August 1983 Indium filed its Amended Complaint whereupon SA again moved to dismiss. The District Court in *Indium II* denied that motion, and then denied SA's motion for certification under 28 U.S.C. 1292(b). However, the District Court did grant SA's request for limited discovery concerning jurisdiction and standing questions only. Some limited discovery was taken during an eight week period at the end of which SA moved for summary judgment. On February 15, 1985, the District Court in *Indium III* granted *summary judgment* in favor of SA, and final judgment was entered February 25, 1985. On appeal the Federal Circuit affirmed, *Indium IV,* and denied rehearing.

C. *Statement of the Facts*

The relevant market for this litigation is the market for "gold-tin frames" made, used or sold in the United States. Such "frames" are sold and used with a "lid" either as "separates" or as a pre-assembled "tack-welded frame-lid" combination. Whether sold as separates or in the welded combination form, the ultimate use of a frame is the same, namely to seal hermetically a ceramic package for a semiconductor chip.



In the figure a semiconductor chip 45 is shown before being hermetically sealed in a ceramic package 43. This exploded view shows separate gold-tin frame 14 aligned between the perimeter of package 43 and separate lid 13. The lid is gold-plated Kovar metal. The frame is an 80%-20% gold-tin alloy. In use the frame fuses the lid to the package, thereby hermetically sealing the chip therein.

Semiconducter packages sealed with gold-tin frames are extremely *high reliability* packages which are used in

particularly critical applications such as military equipment, spacecraft applications, and certain computer and control equipment—applications which are vital to this Nation's defense and security.

Significantly, no adequate substitute has been found for the 80%-20% gold-tin alloy frames in high reliability semiconductor packaging. Separate lids were staple commodities in the market long before SA existed, and a limited number of manufacturers could work the soft, gold-tin alloy to produce frames, which were likewise available in the market. In the "combination" cover a separate frame and lid are simply pre-assembled by locally fusing (tack-welding) the corners of a frame to a lid.[3] The market for such high reliability closure devices was clearly established long before the "combination" cover existed.

Indium has been a direct competitor making and selling separate frames in the market relevant to this case since 1975, and was manufacturing and selling its frames into the relevant market in the tack-welded form at the time this litigation was commenced.

Indium commenced manufacture of gold alloys in the early 1970's. In 1972 it hired Mr. Charles White who had extensive experience in making gold-tin alloys, and Indium developed its skills to deal in the gold market to insure a flow of gold in sufficient quantities to manufacture frames. In 1975 when Indium began selling gold-tin frames into the relevant market, there were seven companies active in the frames market. Of those, Alpha, Cominco, and Indium were making only separate frames

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[3] Conceptually, this "separates"/"combination" comparison is nothing more than the analogous practice of selling a bicycle with its "separate" wheels not yet mounted on the bicycle chassis, versus selling the assembled "combination" bicycle ready to ride. Both clearly compete in the same relevant market.

while SA, Williams, Plessey, and Consolidated Refining Corp. (CRC) also made and sold frames in tack-welded form. The trend in 1975 was already toward selling frames in the tack-welded form.

Indium's sales of separate frames increased to a peak in 1978. However, that increase did not follow the dramatic increase in market demand and Indium's share of the market was actually decreasing. To remain in the market and regain its lost share of the market, Indium knew it would have to market its frames in the welded combination, claimed in SA's patents. Indium's sales of separate frames decreased from several million in 1978 to nil in 1981. That decline was directly attributable to SA's monopolization of the relevant market which SA achieved by enforcing the blocking power of its fraudulent patents. By 1982 SA admittedly supplied at least 75% of the relevant market, and Williams Gold (SA's settlement co-conspirator) supplied most of the remainder.

In 1975 Indium learned SA had sued direct competitors Plessey, Williams, and MetCeram (Williams' customer) for infringement of SA's patents, and as a result Plessey was driven from the market. In 1976 Alpha also withdrew from the market. Indium believed this was due to Alpha's inability to compete against the welded product and the blocking effect of SA's patents. This was confirmed by a former Alpha employee, Mr. Sohl.

Indium further learned through its sales representatives that SA had threatened CRC with patent infringement suit, and Mr. Paschall, a former SA vice president confirmed that fact, which was also substantiated by SA's own records. In light of those threats, CRC obtained an opinion of counsel concerning the validity of SA's patents, and at the end of 1981 CRC left the relevant market, at least in part due to SA's monopolization of the market and threats to enforce its patents against CRC.

In March 1977 when it was clear to Indium that its frame sales were about to be eroded, Indium retained patent counsel to investigate SA's patents and to monitor SA's litigation against Williams. Indium intended to manufacture its frames in tack-welded form to regain its lost share of the relevant market, but was unwilling to do so in the face of SA's patents.

Indium was at all times prepared to produce the welded product. Indium had the necessary gold expertise, a well established sales and marketing force, and existing customer base in the relevant market. It had sound financial resources, adequate manufacturing facilities, its own die company, lid stamping equipment, gold plating experience and an extensive die library which could immediately be used to produce frames in the welded form. Plated lids were available from a number of suppliers. *By 1980 Indium had* welded by hand and *shipped to a customer tack-welded frame-lids.* Tack welding equipment for in-house use, or outside subcontractors, were also available. But Indium did not make and sell frames in the welded form in commercial quantities because of the blocking power of SA's patents and SA's monopoly power enforcing those patents.

Indium proceeded to make its frames in tack-welded form when it learned that SA's patents had been fraudulently procured. In August 1981 Indium was notified by its patent counsel that when the Williams suit was settled the patents had neither been adjudicated nor disclaimed. In August 1981 Indium learned that SA had sold the patented devices more than one year prior to filing the first patent, and this was confirmed by Indium's patent counsel in October-November 1981. In November 1981 Indium's patent counsel opined that SA was not likely to enforce its patents and if it did so it would, in all probability, be unsuccessful. But Indium and its president, after watching SA's acts of monopolization throughout the 1970's, still had more than sufficient reasons to be

apprehensive of infringement suit, which apprehension was heightened in January 1982 when Indium learned that the terms of the SA/Williams settlement agreement were being held secret even though SA had publicly announced that Williams and its welded combination cover customers were immune from suit by SA. *By that time SA and its settlement co-conspirator Williams were the only suppliers of tack-welded frame-lids in the relevant market.*

In late February 1982, a rapid-fire series of threatening events made Indium acutely aware that it was the target of the SA/Williams conspiracy and of SA's entire array of anticompetitive conduct. Indium's state of mind was reflected in patent counsel's letter of Feb. 18, 1982 acknowledging Indium's instructions to take certain steps in anticipation of affirmative action by SA. Then on February 22, 1982 SA sent an express mail letter to Indium which purported to be an offer to license the patents. This was an undoubtable indication that SA was treating competitors as if its fraudulent patents were valid, and was seeking to enforce those patents against Indium in particular. Immediately thereafter SA expressly threatened and sued Indium in state court for hiring Mr. Paschall, SA's dismissed former vice president, who allegedly had knowledge relating to SA's manufacture of tack-welded frame-lids. Under those conditions Indium in fact feared a patent infringement suit at the time this action was filed.

Since 1975 Indium had been a direct competitor of SA, and Williams, in the relevant market. Indium had watched a healthy group of seven competitors dismantled over the period 1975-1981 as SA's patents and market power usurped the frames business. As Indium sought to regain its rightful market share in early 1982, only SA and Williams were proven suppliers of tack-welded frame-lids, which form of frames had by that time engulfed virtually the entire relevant market. As the marketplace got word

of Indium's resurgence and plan to market its frames in tack-welded form, SA's scheme of continued monopolization unquestionably moved to injure Indium in its business and property. In February-March 1982 when Indium was threatened and sued by SA on a closely related issue, and SA sought to enforce its fraudulent patents directly against Indium by license, Indium already owned all of the equipment to manufacture its frames in tack-welded form, was on the verge of making same in commercial quantities—and actually did so before this suit was filed. To protect its business and property and to recoup its longstanding damages caused by SA's fraudulent patents and monopolization, Indium filed this suit in May 1982 on the eve of shipment of commercial quantities of its tack-welded frames.

REASONS FOR GRANTING THE WRIT

I. THE DECISION OF THE FEDERAL CIRCUIT CONFLICTS WITH THIS COURT'S DECISIONS IN *ASSOCIATED GENERAL CONTRACTORS* AND *McCREADY*, AND CONFLICTS WITH DECISIONS OF OTHER CIRCUIT COURTS OF APPEALS

The decision of the Federal Circuit, here on appeal, affirmed the District Court's grant of *summary judgment* holding that Indium lacked antitrust standing when this case was commenced.

"Antitrust standing" is an inquiry to assure that an antitrust claimant is a proper plaintiff under § 4 or § 16 of the Clayton Act. This Court's leading precedents are *Associated General Contractors of California, Inc. v. California State Council of Carpenters* ["AGC"], 459 U.S. 519 (1983) (denying antitrust standing); and *Blue Shield of Virginia, Inc. v. McCready*, 457 U.S. 465 (1982) (granting antitrust standing). In *AGC*, 459 U.S. at 535, this Court said the antitrust standing inquiry "requires us to evaluate the plaintiffs' harm, the alleged wrong-doing

of the defendants, and the relationship between them," and noted a number of factors to be considered in each case. *Indium IV was the Federal Circuit's first antitrust standing case.* While that Court itemized some of this Court's *AGC* factors, *it failed to follow this Court's decisions in an even more fundamental way.*

The Federal Circuit held:

> Indium's argument that the district court erred in requiring it to demonstrate its preparedness to enter the combination cover market, rather than the broader market for "gold-tin frames," is irrelevant. If Indium was not prepared to manufacture combination covers until late 1981, no conduct on the part of Semi-Alloys could have injured it. We therefore agree with the district court's conclusion that Indium lacked antitrust standing because there was no connection between any conduct of Semi-Alloys and Indium's alleged "harm." [781 F.2d at 882].

Thus the Federal Circuit held that the relevant market definition is irrelevant to antitrust standing.

In *AGC,* 459 U.S. at 539, this Court expressly addressed the question of whether the antitrust plaintiff was a consumer or competitor "in the market in which trade was restrained." Likewise, in *McCready,* 457 U.S. at 479, this Court expressly addressed the question of whether McCready was "an economic actor in the market that had been restrained." And in *Walker Process & Equipment, Inc. v. Food Machinery & Chem. Corp.,* 382 U.S. 172 (1965), this Court, while not expressly mentioning antitrust standing, did say: "Without a definition of that market there is no way to measure Food Machinery's ability to lessen or destroy competition." 382 U.S. at 177.

The Second Circuit [4] discussed AGC and *McCready* at length in *Crimpers Promotions, Inc. v. Home Box Office, Inc.*, 724 F.2d 290 (2d Cir. 1983), *cert. denied,* U.S. , 104 S. Ct. 3536 (1984), and expressly approved a rather broader rule wherein an antitrust plaintiff may have standing yet ". . .need not be a direct competitor in the market in which defendants operate," 724 F.2d at 292, quoting with approval, 544 F. Supp. at 845. In this regard also see *Ostrofe v. H.S. Crocker Co., Inc.*, 740 F.2d 739 (9th Cir. 1984).

The Sixth Circuit said in another post-*AGC* decision, *Southaven Land Co. v. Malone & Hyde, Inc.*, 715 F.2d 1079, 1086 (6th Cir. 1983):

> A significant element of the § 4 "standing" inquiry is the nature of the plaintiff's alleged injury either as a "customer" or "participant" in the "relevant market":
>
> > In this case it is appropriate to focus on the nature of the plaintiff's alleged injury. As the legislative history shows, the Sherman Act was enacted to assure *customers* the benefits of price competition, and our prior cases have emphasized the central interest in protecting the economic freedom of *participants* in the *relevant market.*
>
> *Associated General Contractors, supra,* [459] U.S. [at 538], 103 S. Ct. at 908-09 [emphasis added by the Sixth Circuit].

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[4] Second Circuit law should have been followed by the Federal Circuit in this case, see *Loctite Corp. v. Ultraseal, Ltd.*, 781 F.2d 861 (Fed. Cir. 1985). However, the Federal Circuit even failed to follow its own prior statements in *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1366 (Fed. Cir. 1984) and *Albert v. Kevex Corp.*, 741 F.2d 396, 398 (Fed. Cir. 1984), that determination of the relevant market is a condition precedent to resolution of antitrust claims.

These decisions clearly indicate that the relevant market definition is a material element in the antitrust standing inquiry. Hence the Federal Circuit's holding in this case is in fundamental conflict with this Court's leading decisions on antitrust standing. It likewise conflicts with leading post-*AGC* antitrust standing decisions by other Circuit Courts of Appeals.

The District Court in *Indium II* properly recognized "the relevant market for gold tin frames," 591 F.Supp. at 611, and found: "It should be noted at the outset that, as plaintiff emphasizes, *it was a direct competitor in the relevant market;*" 591 F.Supp. at 613; *emphasis added here.* The District Court also started *Indium III* by correctly recognizing the relevant market:

> [1] A tack-welded frame lid or combination cover is composed of two elements, a lid and a frame, which are also sold individually as separate products. A lid is a thin piece of metal plated with gold. A frame is a piece of gold-tin alloy solder in the shape of a picture frame. A tack-welded frame lid or combination cover is a lid and frame that have been joined by tack-welding.
>
> Lids and frames, either as separates or as combination covers, are used to seal semiconductor devices into ceramic containers. Semi-Alloys' patents relate to the method of using a combination cover to seal a semiconductor package. [*Indium III,* 611 F. Supp. at 380, note 1]

This Court has clearly held: "In determining the market under the Sherman Act, it is the use or uses to which the commodity is put that control." *United*

States v. E.I. DuPont de Nemours & Co., 351 U.S. 377, 396-7 (1956).[5] Accordingly, separate frames and combination covers do not define distinct markets. Thus the District Court could only have determined, particularly on summary judgment, that gold-tin frames are the commodity or product which defines the relevant market in this case. And it was clear that Indium had been a direct competitor in that market since 1975. But the court erroneously ruled on preparation to enter the "combination cover market", *Indium III*, 611 F.Supp. at 386. And the Federal Circuit made the same error in *Indium IV*, (quoted above at p. 11, *supra*).

In so doing *the Federal Circuit supplanted the fundamental relevant market definition principle with a rule which strictly requires plaintiff to have been on the verge of infringing the patents in question (which therefore became the market definition), rather than being a direct competitor by selling products for the same use to identical customers in the same relevant market as defined under fundamental antitrust principles. That error requires this Court's supervision.*

Implicit in this Court's decisions in *AGC* and *McCready* is the principle so clearly stated in the leading treatise: "A plaintiff has undoubted standing to recover for injuries resulting from the antitrust violations of his "di-

[5] The relevant market is typically a contested factual issue in antitrust litigation. SA's Answer ¶ 1 denied Indium's pleaded relevant market, and in its motion for summary judgment SA did *not* contend that the relevant market is an uncontested issue of material fact. Both the relevant market definition and Indium's extraordinary preparedness were *contested issues of material fact which never should have been decided on summary judgment.*

rect" competitor. Such standing is so clear that it is seldom challenged, . . .".[6] *Is this not the law*? Is not a primary principle of *AGC* and *McCready* that a direct competitor in the relevant market is an optimal antitrust claimant? The Federal Circuit decision in this case conflicts with this fundamental antitrust standing principle.[7]

The Federal Circuit also erred in holding that no conduct by SA could have injured Indium and that there was no connection between SA's conduct and Indium's harm, *Indium IV,* quoted at page 11, *supra.*

Indium clearly demonstrated that its "business" (cf., Clayton § 4) in the relevant market of manufacturing and selling gold tin frames had been severely injured by SA's illegal monopolization of the relevant market. Its sales of frames went from several million units in 1978 to nil in 1981. At the same time Indium suffered injury to its "property" (cf., Clayton § 4 and *McCready, supra,* 457 U.S. at 473-74 and *Reiter v. Sonotone Corp.,* 442 U.S. 330, 339 (1979)). The record shows that as early as 1975 Indium owned complete facilities and equipment for manufacturing very large quantities of gold tin frames. Indium added to that property by purchases such as the acquisition in 1976 of all of Alpha's frame manufacturing equipment. SA's illegal monopolization of the relevant market injured Indium's property in that Indium was

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[6] Areeda & Turner, *Antitrust Law,* ¶ 340a, p. 205, cited with approval by the District Court in *Indium II,* 591 F.Supp. at 613.

[7] Furthermore, the Federal Circuit focused only on Clayton § 4 and ignored Indium's request for injunctive relief. Although Clayton § 16 *per se* is not mentioned in Indium's pleading, in light of the explicity requested injunction and the broader language and purposes of § 16, *Hawaii v. Standard Oil Co.,* 405 U.S. 251, 260-261 (1972), which were explicity briefed, the Federal Circuit should not have disposed of Indium's request for injunctive relief for want of standing. Note that Indium was *in production* of combination covers when this litigation was commenced, *Indium IV,* 781 F.2d at 883, and thus Indium had antitrust standing even under the erroneously applied preparedness test.

unable to use to capacity its facilities, equipment and other property related to the manufacture and sales of frames, while that property deteriorated in substance and value.

Indium's harm was clear, never questioned by the District Court, and included: (1) destruction of Indium's sales of separate frames; (2) preclusion of Indium from making and selling its frames in tack-welded form; (3) the aforementioned injury to Indium's property; and (4) injury from defense of SA's state court suit against Indium and Indium's investigation of SA's fraudulent patents and this suit. *The District Court expressly did not reach any issues of damages which could not have been issues on appeal at the Federal Circuit.* See, *Indium III,* 611 F. Supp. at 388. Nor could the courts below have ruled against Indium on the damages issues, especially on summary judgment. Damages are a factual issue. It is well recognized "that antitrust damages can only be approximated" and that antitrust violators "should be prevented from unfairly exploiting the complexity of factual issues occasioned by their unlawful conduct." [8]

SA's conduct which caused those injuries to Indium included SA's intentional fraudulent procurement of the patents in question; knowingly enforcing those fraudulently obtained patents throughout the relevant market, and as a result monopolizing the relevant market; conspiratorily secretly settling the last litigation of those patents (against SA's then largest welded frame combination competitor) after public disclosure of the damning facts, thereby preserving the fraudulent patents and maintaining SA's illegally obtained monopolistic market share and economic power; and illegally harassing Indium with a spurious state court suit and simultaneous attempt

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[8] *Burlington Industries, Inc. v. Milliken & Co.*, 690 F.2d 380, 386 (4th Cir. 1982); *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 123-124 (1969); and *Bigelow v. RKO Radio Pictures, Inc.*, 327 U.S. 251, 264-265 (1946).

to enforce the fraudulent patents by license against Indium, at a time when Indium's production of its frames in tack-welded form was imminent.[9] SA's illegal conduct is clear and never was questioned by the District Court.

The connection between SA's illegal conduct and Indium's injury is likewise clear. As stated by the Ninth Circuit:

> Ethicon's conduct not only damaged Handgards but it also had an anticompetitive effect. See *California Computer Products, Inc. v. International Business Machines Corp.*, 613 F.2d 727, 732 (9th Cir. 1979). *The bad faith suit* not only excluded Ethicon's only significant competitor, Handgards, it *also checked possible future competitors until the Gerard patent had been declared invalid.* Although subsequent to that date several competitors entered the market, that did not alleviate the harm to competition that resulted from the prosecution of a suit for a patent that was known to be invalid. *Handgards, Inc. v. Ethicon, Inc.*, 743 F.2d 1282, 1296 (9th Cir. 1984) *cert. denied*, ___ U.S. ___, 105 S. Ct. 963 (1985). [*emphasis added here*].

Indium, already a competitor in the relevant market since 1975, clearly saw that SA enforced its presumptively valid patents against anyone who attempted to make or sell frames in tack-welded form. Fearing infringement suit against itself, Indium stood by, actively watching SA's third (bad faith) infringement litigation, against Williams, SA's then primary competitor. Indium had decided, as early as 1975-76, to sell its frames in tack-welded form as soon as the barrier of SA's patents could be surmounted. Indium could not do that until mid-1981 when SA was forced publicly to reveal facts showing its

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[9] See the quotation from *Jack Winter, Inc. v. Koratron Co. Inc.*, 375 F. Supp. 1 (N.D. Cal. 1974) at page 26, *infra*.

patents had been fraudulently procured. Had Indium known earlier of their fraudulent procurement, Indium would have much earlier challenged SA's patents and sold Indium's frames in tack-welded form. *It unquestionably was SA's enforcement of its presumptively valid (but in fact fraudulent) patents in a monopolized market which was deterring Indium from selling its frames in tack-welded form.*

In considering "the nature of the plaintiffs' alleged injury" in *AGC,* this Court focused on antitrust policy:

> [T]he legislative history shows, the Sherman Act was enacted to assure customers *the benefits of price competition,* and our prior cases have emphasized the central interest in *protecting the economic freedom of the participants in the relevant market.* [459 U.S. at 538; footnote omitted; *emphasis added*]

Indium has long been a direct competitor in the frames market. By excluding Indium from the tack-welded frame-lid portion of the relevant market SA not only directly and severely injured Indium but also inflicted upon the relevant market the *disadvantages* of monopolization. *The benefits of price competition were provided only after Indium marketed its frames in tack-welded form in 1982.* When Indium provided that competition, prices immediately dropped by 20%! It would be difficult to show a more direct relationship between the price competition which Congress sought to protect and SA's illegal exclusion of Indium from marketing its frames in tack-welded form. Indium's injury "is inextricably intertwined with the injury the conspirators [SA, alone, and with Williams] sought to inflict on the . . . market." *McCready,* 457 U.S. at 484, quoted in *AGC,* 459 U.S. at 538; [bracketed matter added here]. Stated otherwise, Indium clearly is "part of the class the Sherman Act was designed to protect," *AGC,* 459 U.S. at 540.

Indium was precisely in the class of potential infringers whom SA intentionally sought to deceive and exclude from marketing frames in tack-welded form. The very fraudulent procurement of the patents in suit was aimed at competitors, i.e., Indium. *Since SA had no right to obtain the patents, every use of its patent applications and resultant patents was illegal patent enforcement.* As a result of every act of enforcement and cover-up, Indium was directly injured. As this Court said in *AGC*, 459 U.S. at 528:

> Coercive activity that prevents its victims from making free choices between market alternatives is inherently destructive of competitive conditions and may be condemned even without proof of its actual market effect.

Indium was clearly such a victim here because SA's intentional fraudulent procurement, bad faith enforcement of its knowingly invalid patents, and monopolization actively prevented Indium from making a free choice to market its frames in tack-welded form although Indium was already an active competitor in the relevant market.[10]

Patents (and particularly actively enforced fraudulently procured patents) are inherently destructive of competitive conditions. As the Second Circuit has said:

> [T]he primary purpose of the antitrust laws—to preserve competition—can be frustrated, albeit

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[10] "In *Dairy Foods, Inc. v. Dairy Maid Products Coop.*, 297 F.2d 805 (7th Cir. 1961), the court held that a pleading which charged that an alleged antitrust violation had put a competitor in the position of being required to choose among alternative responses, each of which had an adverse economic impact, sufficiently set forth an injury to business or property." *Kearney & Trecker Corp. v. Cincinnati Milacron, Inc.*, 562 F.2d 365, 374 (6th Cir. 1977). Indium's "Hobson's" choice was between risking infringement litigation by notoriously litigious SA, or capitulating by not selling its frames in the tack-welded form which was engulfing the relevant market. Absent SA's illegal acts, that dilemma would not have existed.

> temporarily, by a holder's exercise of the patient's inherent exclusionary power during its term.

SCM Corp. v. Xerox Corp., 645 F.2d 1195, 1203 (2d Cir. 1981) *cert. denied*, 455 U.S. 1016 (1982). Even in *AGC* this Court *assumed* for purposes of decision that the defendant's activities (which did *not* involve patents) had a predatory nature or character and would "cripple the freedom of traders and thereby restrain their ability to sell in accordance with their own judgment." *Keifer-Stewart Co. v. Seagram & Sons*, 340 U.S. 211, 213 (1951) quoted at 459 U.S. at 528, n. 18. Unquestionably SA's fraudulently procured patents and entire scheme of monopolization had precisely that crippling effect on Indium.

The connection between SA's illegal conduct and Indium's certain injuries is abundantly clear (at the very least raising substantial questions of disputed fact) rendering this case inappropriate for summary judgment dismissal. The Federal Circuit erred in holding otherwise, and that decision clearly conflicts with the prior decisions of this Court and other Circuit Courts of Appeals. Certiorari should be granted to settle these conflicts.

II. THIS COURT HAS NEVER SANCTIONED A RELEVANT MARKET "ENTRY PREPAREDNESS TEST" AS A CRITERION FOR ANTITRUST STANDING—AN IMPORTANT QUESTION OF FEDERAL ANTITRUST LAW WHICH SHOULD BE SETTLED BY THIS COURT

The lower courts' failure consistently to follow the proper definition of the relevant market (discussed above) led them to treat Indium as a total stranger to the relevant market, ignoring Indium's longstanding direct competitor status in the frames market, and improperly

requiring Indium to meet a market entry preparedness test, *Waldron, v. British Petroleum Co.*, 231 F. Supp. 72 (S.D.N.Y. 1964). But *where an antitrust plaintiff is already a direct competitor in the relevant market, there can be no requirement that he demonstrate his preparedness to "enter" that market, and it was clear error for the lower courts to have done so in this case.*

Unlike Waldron, who had *never* engaged in the relevant market business, Indium had engaged in the relevant market business and directly competed with SA therein since 1975. While one facet of the injury to Indium's frames business was its preclusion, due to SA's patents, from making and selling its frames in tack-welded form, that is not the same as being entirely outside the relevant market as in *Waldron.* Indium has been inside the relevant market competing with SA for ten years, and has been selling its frames in tack-welded form since 1982. There is no remoteness problem in this case as there was in *Waldron,* and no reason to attempt application of any preparedness test.

Furthermore, *in order to apply any such test it is a logical prerequisite that the relevant market in question must be defined.* In the case at bar the District Court first effectively acknowledged gold-tin frames as the relevant market (see, page 13, *supra*), and then erroneously applied the test with respect to a "combination cover market." That holding not only constituted a finding of fact contrary to the evidence—which is not permissable, particularly on summary judgment—but also supplanted the fundamental relevant market definition principle with a rule requiring plaintiff to have been on the verge of infringing defendant's patents (which therefore became the market definition) rather than being a direct competitor by selling unpatented products for the same use to identical customers in the same relevant market as defined under fundamental antitrust principles.

This Court has not and should not sanction any such erroneously applied market entry preparedness test. Certiorari should be granted to settle this important federal question.

III. THE FEDERAL CIRCUIT'S DENIAL OF DECLARATORY JUDGMENT JURISDICTION CONFLICTS WITH THE INTERPRETATION OF THE DECLARATORY JUDGMENT ACT BY OTHER CIRCUIT COURTS AND INVOLVES AN IMPORTANT FEDERAL QUESTION WHICH HAS NOT BEEN, BUT SHOULD BE, SETTLED BY THIS COURT.

Most if not all other Circuits have properly construed the Declaratory Judgment Act as being remedial in character and therefore requiring liberal interpretation, not narrow technical interpretation. See, e.g., *Exxon Corp. v. Federal Trade Commission,* 588 F.2d 895 (3rd Cir. 1978); *Allsate Insurance Co. v. Employers Liability Assurance Corp.,* 445 F.2d 1278 (5th Cir. 1971); and *Sherwood Medical Industries, Inc. v. Deknatel, Inc.,* 512 F.2d 724 (8th Cir. 1975). The courts have recognized the Act's purposes of providing a speedy method of adjudicating legal disputes and removing uncertainty and insecurity from legal relationships without awaiting violation of rights or disturbance of relationships. *Beacon Construction Co. v. Matco Electric Co.,* 521 F.2d 392 (2nd Cir. 1975); *Sears, Roebuck & Co. v. American Mutual Liability Insurance Co.,* 372 F.2d 435 (7th Cir. 1967); and *Sherwood, supra.*

Although the Federal Circuit gave lip service to *Maryland Casualty Co. v. Pacific Coal & Oil Co.,* 312 U.S. 270, 272 (1941), saying an inquiry under the Declaratory Judgment Act requires examination of the "totality of the circumstances," 781 F.2d at 882, it is clear that the Federal Circuit applied a very strict, narrow and technical interpretation of the Declaratory Judgment Act.

The Federal Circuit properly held the actual controversy requirement is satisfied in a patent declaratory judgment action "when a defendant's conduct has 'created on the part of the declaratory plaintiff a reasonable apprehension that it will face an infringment suit if it commences or continues the activity in question' and when the plaintiff has 'actually produced the accused device' or has 'prepared to produce such a device.'" 781 F.2d at 883, citing *Jervis B. Webb Co. v. Southern Systems, Inc.*, 742 F.2d 1388, 1398-99 (Fed. Cir. 1984).[11]

Nor did the Federal Circuit question the genuineness of Indium's apprehension, 781 F.2d at 883. However, in analyzing the reasonableness of Indium's apprehension of suit, the Federal Circuit ignored the lesson taught by other circuits that the apprehension is to be evaluated in a pragmatic fashion in light of business realities.[12]

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[11] The Federal Circuit held "there is no dispute here that Indium has satisfied the second prong of the jurisdictional requirement; when this suit was filed in April 1982, Indium had produced and was ready to distribute commercial quantities of combination covers." *Indium IV*, 781 F.2d at 883. However, the Federal Circuit erred in failing to recognize this undisputed fact as being more than adequate to vest Indium with antitrust standing.

[12] *See, e.g., Cosden Oil & Chemical Co. v. Foster Grant Co.*, 432 F. Supp. 956 (D. Del.), *aff'd mem.* (3d Cir. 1977) (offer of license in combination with other circumstances allows plaintiff to conclude that defendant intended to initiate litigation); *Chesebrough-Pond's Inc. v. Faberge, Inc.*, 666 F.2d 393 (9th Cir. 1982) *cert. denied*, 459 U.S. 967 (1982) (acts of defendant are to be examined in view of their likely impact on competition and the risks imposed on plaintiff); *Sherwood Medical Industries, Inc. v. Deknatel, Inc., supra* (combination of acts, which standing alone would not be enough, demonstrate the existence of reasonable apprehension when viewed together); *Robin Products Co. v. Tomecek*, 465 F.2d 1193 (6th Cir. 1972) (reasonableness of apprehension is demonstrated by evidence of any conduct from which any charge or threat could be inferred); *Dewey & Almy Chemical Co. v. American Anode, Inc.*, 137 F.2d 68 (3d Cir.), *cert. denied*, 320 U.S. 761 (1943) (reasonableness of apprehension premised upon defend-

(footnote continued)

In applying principle to fact, the Federal Circuit ignored marketplace realities and wandered from the path so well forged by other circuits. *The Federal Circuit's decision only can be read as a holding that a patent declaratory judgment plaintiff's apprehension will not be considered reasonable except where the plaintiff has been sued or overtly threatened with infringment suit.* This is not the law, and is even inconsistent with the Federal Circuit's own decision in *C. R. Bard, Inc. v. Schwartz,* 716 F.2d 874 (Fed. Cir. 1983), wherein declaratory judgment jurisdiction was found based on defendant's state court contract suit for recovery of royalties under a patent license, which that court held showed a willingness by defendant to enforce its patent, 716 F.2d at 881, and further on the basis of suits by defendant against others, 716 F.2d at 881, n. 6.

As in *Bard,* among the numerous facts creating Indium's reasonable apprehension were SA's state court unfair competition action against Indium, which action was still pending when this case was commenced and which sought to impede Indium's production of frames in tack-welded form and further demonstrated SA's willingness to enforce its alleged proprietary rights against Indium.[13] SA had also sued other direct competitors, and one of those suits was maintained through mid-summer 1981 (Indium's suit having been filed in the Spring of

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(footnote continues)

ant's use of its patents as an economic weapon against other infringers); *Mine Safety Applicance Co. v. Energetics Science, Inc.,* 416 F. Supp. 530 (D.C.N.Y. 1976) (reasonableness of apprehension premised upon a letter from defendant, notifying plaintiff of patents, combined with information indirectly received from a customer indicating a possible threat of a lawsuit).

[13] In *Bard,* the Federal Circuit pointed to a count in the state court complaint which implied Bard's patent infringement, 716 F.2d at 881. In the instant case, SA's state court complaint contained statements similarly implying Indium's patent infringement.

1982). *These are the same types of facts which led the Federal Circuit in Bard to find declaratory judgment jurisdiction.*

The Federal Circuit decision erroneously states that the facts of infringment suits by SA *in 1975* and a licensing offer by SA in 1982 were asserted by Indium to be the "primary bases" in support of the reasonableness of its apprehension. However, such facts were asserted by Indium as just two among numerous facts to be evaluated in the overall business context. Indium's apprehension of suit was the result of a totality of marketplace facts. Those facts included SA's history of litigation against its competitors; its threats of suit against its competitors; its secret settlement of litigation with its primary competitor; its announced program of enforcement by litigation; its overall harassment of Indium by acts including its state court unfair competition action regarding Indium's hiring of a former SA employee to assist Indium in production of tack-welded frames; and SA's attempt to license patents it knew were fraudulent. Although the Federal Circuit mentioned some of these other facts, it is clear that court did not fully appreciate and evaluate the overall circumstances in the marketplace context.

At the time SA attempted to license Indium, Indium had knowledge of SA's sworn statement in SA's infringement suit against Williams Gold:

> 5. Shortly after the issuance of the '468 patent, Semi-Alloys called it to the attention of all known competitors. Meeting some resistance to a licensing program, the following patent infringement suits were filed: [Levine Aff. 3/79, ¶ 5],

identifying the Plessey and MetCeram suits. Indium correctly perceived SA's purported licensing program as a patent enforcement scheme and harbinger of suit.

This Court in *Lear, Inc. v. Adkins,* 395 U.S. 653, 670, (1969) made it clear that patent licensing is patent enforcement. Other courts have said likewise:

> In Walker Process, the Supreme Court held that allegations that a patent had been obtained by knowingly and willfully misrepresenting facts to the Patent Office, *an attempt by the patentee to enforce the patent, for example, by a licensing system or a similar attempt by an assignee who has knowledge of the facts,* constitute a violation of § 2 of the Sherman Act if the other elements of an antitrust violation are present.

Jack Winter, Inc. v. Koratron Co., Inc., 375 F. Supp. 1, 66-67 (N.D. Cal. 1974). [*emphasis ours*] It was in the ominously charged circumstances discussed above that SA explicitly attempted to enforce its patents against Indium by attempting to license Indium. SA's anticompetitive intentions were so strong that despite the then public knowledge of its fraudulent patent procurement, SA did not get an opinion of counsel on the validity or enforceability of the patents before sending the 1982 license letter. That attempt to license not only should have certified Indium's antitrust standing, but was unquestionably an attempt to enforce SA's fraudulent patents against Indium, making Indium's fear quite reasonable.

The Federal Circuit's decision also erroneously focused on Indium's *1981* belief in the invalidity of SA's patents, rather than more properly on SA's *1982* acts indicating *SA's 1982* belief in the patents' enforceability and demonstrating SA's intention to enforce them against Indium. It is the latter which are critical in evaluating the reasonableness of Indium's apprehension that SA would file suit. SA's *1982* attempt to license clearly evidenced SA's belief that its patents were still enforceable against Indium. SA's other actions, including maintenance of its

litigation against Williams Gold *until midsummer 1981* and its *1982* state court suit against Indium (still pending when this suit was filed), unquestionably demonstrated its willingness to litigate. It is these facts, *inter alia,* rather than Indium's *1981* counsel's opinion vis-a-vis the validity of SA's patents, which objectively supported Indium's *1982* belief that SA would sue Indium on the patents.

There is no question that in May 1982, when this suit was filed, Indium did fear patent infringement suit SA. Mr. Macartney, president and majority owner of Indium, so testified. Neither the District Court or the Federal Circuit properly evaluated the reasonableness of that fear. Those courts did not believe Mr. Macartney's testimony without ever having seen him to evaluate his veracity and credibility, an inference which is notoriously improper on summary judgment. See *Poller v. Columbia Broadcasting System, Inc.,* 368 U.S. 464, 473 (1962) and *Schmidt v. McKay,* 555 F.2d 30, 37-38 (2d Cir. 1977). In evaluating the reasonableness of a declaratory plaintiff's apprehension, that apprehension *must* be viewed from the eyes of the reasonable businessman confronted with all of the plaintiff's circumstances. *Societe de Conditionnement en Aluminum v. Hunter Eng. Co., Inc.,* 655 F.2d 938, 944 (9th Cir. 1981). Mr. Macartney was that reasonable businessman in this case, and his testimony should have been fully credited, especially on summary judgment.

Semi-Alloys' offensive attitude toward Indium, exhibited by the facts of this case, is such that the Federal Circuit's decision herein leaves the undoubted message for all who follow that only an actual patent infringement suit or an express threat of a patent infringement suit will suffice to indicate the existence of an actual controversy necessary to establish declaratory judgment jurisdiction. That bottom line creates erroneous precedent, is contrary to this Court's decision in *Maryland Casualty,* is contrary to other Circuit's decisions interpreting the Declaratory Judgment Act, and should be reversed.

CONCLUSION

Indium was in the coerced position of watching its gold-tin frames business being destroyed, while being restrained from maintaining that business unless it willfully infringed SA's presumptively valid (but in fact fraudulent) patents. The Federal Circuit decision puts every future competitor who finds himself in Indium's position in the identical "Catch 22" or "Hobson's choice" situation. In order to have a remedy he must *unreasonably* risk substantial assets by going into production and sales thereby willfully infringing presumptively valid patents and risking infringement suit.

The result in this case (as it will be in all such future cases) is that Indium's real and very substantial injuries are not redressed, fraudulent procurement of patents is condoned, not discouraged, and a significant violation of the antitrust laws will go unremedied. That is clear error, especially on summary judgment. As demonstrated above herein, the Federal Circuit's decision conflicts with the precedents of this Court, of other Circuits, and involves important federal questions which this Court should address.

Petitioner Indium respectfully requests this Court to issue the writ of certiorari, rectify the law, and reverse the heretofore unjust result.

Respectfully submitted,

INDIUM CORPORATION OF AMERICA

May 27, 1986

By _____

ROGER W. PARKHURST
PARKHURST & OLIFF
277 South Washington Street
P.O. Box 19928
Alexandria, Virginia 22320
Telephone: (703) 836-6400
Attorney for Petitioner
Indium Corporation of America

Of Counsel:

EDWARD P. WALKER
PARKHURST & OLIFF
277 South Washington Street
P.O. Box 19928
Alexandria, Virginia 22320
Telephone: (703) 836-6400

THOMAS J. WALL
BRUNS & WALL
Hills Building
Syracuse, New York 13202
Telephone: (315) 422-7383

MICHAEL H. STEPHENS
ABELOVE, SEIGEL, HESTER & STEPHENS
124 Bleecker Street
Utica, New York 13501
Telephone: (315) 724-8101

CERTIFICATE OF SERVICE

It is hereby certified that two (2) true copies of the foregoing Petition for Writ of Certiorari to The United States Court of Appeals for the Federal Circuit were served this 27th day of May 1986, by Federal Express air courier upon counsel for respondent:

Moses Silverman
PAUL, WEISS, RIFKIND,
WHARTON & GARRISON
345 Park Avenue
New York, New York 10154

One of INDIUM's Attorneys

APPENDIX A

APPENDIX A

"INDIUM IV"

INDIUM CORPORATION OF AMERICA
Appellant,

v.

SEMI-ALLOYS, INC.,
Appellee.

Appeal No. 85-2177.

United States Court of Appeals,
Federal Circuit.

[Cite as 781 F.2d 879 (Fed. Cir. 1985)]

Dec. 26, 1985.

Before RICH, BALDWIN and SMITH, Circuit Judges.

RICH, Circuit Judge.

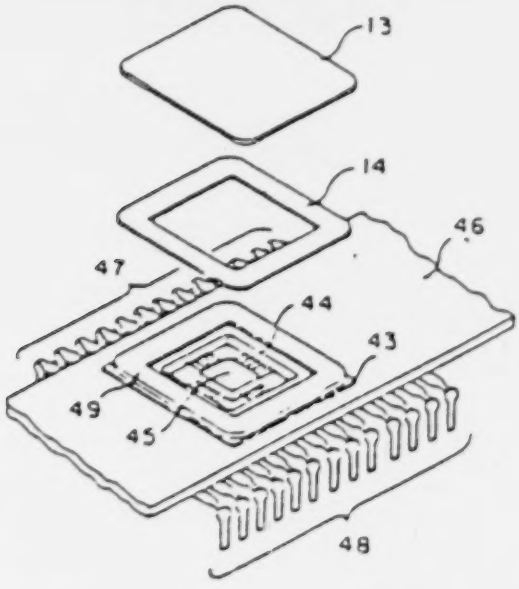
This appeal is from the February 25, 1985, final judgment of the United States District Court for the Northern District of New York, granting defendant Semi-Alloys' motion for summary judgment and dismissing plaintiff's amended complaint with prejudice, 611 F.Supp. 379. We affirm.

Background

Both plaintiff-appellant, Indium Corporation of America ("Indium"), and defendant-appellee, Semi-Alloys, Inc. ("Semi-Alloys"), are New York corporations engaged in the manufacture of, *inter alia,* solder preforms or gold-tin "frames," used in the ceramic packaging of individual electronic components, e.g., semi-conductor devices. These frames can be sold and used separately or with a "tack-welded frame lid" in combination (also known as "combination covers").

Until 1981, Indium sold only the separate frames, the market for which has declined to almost nothing.

Semi-Alloys is the owner of three patents covering an "Hermetic Sealing Cover for a Container for a Semi-Conductor Device," and methods for fabricating an hermetically-sealed container and sealing cover therefor. In essence, the patents disclose a basic process for the manufacture of combination covers by the tack-welding technique.



The figure above from Semi-Alloys' U.S. Patent No. 3,823,468 illustrates how a semi-conductor device is hermetically sealed inside a ceramic container. The combination cover consists of two elements, the lid 13 and the frame 14. The lid is a piece of gold-plated metal, while the frame consists of gold-tin alloy solder in the shape of a picture frame.

The combination cover is made by tack-welding the lid and frame together. To seal the semi-conductor package, the frame 14 and lid 13 are aligned with a container 43 and then heated in a special furnace so that the frame melts and solders the lid to the container, sealing the semi-conductor device 45 inside the cavity 44.

In the early 1970's, there were at least four firms selling combination covers: Semi-Alloys, Williams Gold Refining Company ("Williams"), Plessey, and Consolidated Refining Corporation ("CRC"). In 1975, Semi-Alloys sued Plessey and Williams for infringement of one or more of its patents, the first of which issued on July 16, 1974. The suit against Plessey was settled soon after it was brought, and Plessey withdrew from the combination cover market. The litigation against Williams was settled several years later, and Williams remained in [781 F.2d 881] the combination cover market. CRC left the market at the end of 1981, apparently to take advantage of a tax break that would not be available to it otherwise. By that time, Semi-Alloys supplied at least 75% of the market, and Williams supplied the remainder.

Indium began making and selling combination covers in early 1982, after purchasing CRC's equipment. This suit was filed on May 19, 1982, on the eve of Indium's first shipment of commercial quantities of combination covers and after Semi-Alloys had offered Indium a non-exclusive license under its patents by letter of February 22, 1982. Indium's complaint sought $40 million in antitrust damages and a declaratory judgment that Semi-Alloys' patents were invalid on the basis of 35 U.S.C. § 102(b) (on sale more than one year prior to the application for a patent) and § 103 (obviousness). Indium's antitrust claims were based on the theory that Semi-Alloys procured its patents by fraud and that this prevented Indium from entering the market for combination covers. Indium also sought relief under a pendent claim for unfair competition under New York State law.

The decision from which Indium appeals is the district court's third major decision in this case, reported at 611 F. Supp. 379, 225 USPQ 1159 (*"Indium III"*). The district court's first two decisions involved the adequacy of Indium's original and amended complaints.

In *Indium Corporation of America v. Semi-Alloys, Inc.*, 566 F.Supp. 1344, 219 USPQ 793 (N.D.N.Y.1983) (*"Indium I"*), the district court dismissed Indium's original complaint without prejudice, holding that Indium had failed to plead facts

sufficient to show antitrust standing and that the complaint failed to demonstrate the existence of an actual controversy between the parties sufficient to confer declaratory judgment jurisdiction upon the district court.

As a result of that decision, Indium filed an amended complaint that the district court held to have alleged sufficient additional facts which, if true, could establish standing and jurisdiction. *Indium Corporation of America v. Semi-Alloys, Inc.*, 591 F.Supp. 608, 224 USPQ 404 (N.D.N.Y. 1984) (*"Indium II"*).

After its first two decisions on the sufficiency of the complaints, the district court limited initial discovery to the questions of jurisdiction and standing in anticipation of summary judgment motions on these threshold issues. At the close of discovery, Semi-Alloys moved for summary judgment, contending that the facts uncovered in discovery did not support the allegations contained in Indium's amended complaint. Indium contended that there were disputed issues of material fact which made summary judgment inappropriate.

The District Court's Decision

In granting Semi-Alloys' motion for summary judgment on the declaratory judgment claims, the district court found that Indium could not have had a reasonable apprehension of being sued on Semi-Alloys' patents, wherefore there was no justiciable controversy between the parties which would have given the district court subject matter jurisdiction over the patent claims. The district court therefore dismissed Counts II-IV of Indium's amended complaint.

The district court also held that to establish antitrust standing, Indium would have to show that it was injured by the wrong-doing of Semi-Alloys. The court found, however, that Indium had not presented any competent evidence that it was prepared to enter the tack-welded combination cover market at the time of its alleged harm, and also found that Semi-Alloys did not exclude Indium from the business because it had not attempted to enforce its patents against Indium. The district

court thus dismissed Count I of Indium's amended complaint because Indium did not have standing to assert its antitrust claims.

Finally, the district court dismissed Indium's state law unfair competition claim, Count V of the amended complaint, pursuant [781 F.2d 882] to *United Mine Workers v. Gibbs,* 383 U.S. 715, 726, 86 S.Ct. 1130, 1139, 16 L.Ed.2d 218 (1966), which held that pendent state law claims should be dismissed when all federal claims have been dismissed before trial.

OPINION

Antitrust Standing

Section 4 of the Clayton Act, 15 U.S.C. § 15, limits standing to bring a private antitrust damage action to those "who shall be injured in [their] business or property by reason of anything forbidden in the antitrust laws." In *Associated General Contractors v. California State Council of Carpenters,* 459 U.S. 519, 103 S.Ct. 897, 74 L.Ed.2d 723 (1983), the United States Supreme Court identified several specific criteria which lower courts should apply to ascertain whether a claim of injury is sufficient to establish antitrust standing within the meaning of section 4 of the Clayton Act. The criteria articulated by the Court included:

> (1) whether there is a causal connection between an antitrust violation and harm to the plaintiff and the defendants intended to cause that harm;
>
> (2) whether the nature of the plaintiff's alleged injury was of the type the antitrust laws were intended to forestall;
>
> (3) the directness or indirectness of the asserted injury;
>
> (4) whether the claim rests on some abstract or speculative measure of harm; and
>
> (5) the strong interest in keeping the scope of complex antitrust trials within judicially manageable limits.

avoiding both duplicative recoveries and the complex apportionment of damages.

459 U.S. at 537-45, 103 S.Ct. at 908-13.

Applying these criteria to Indium's allegations, the district court identified two specific elements that Indium would have to demonstrate in order to establish the necessary "causal connection" between Semi-Alloys' conduct and harm to Indium, and to demonstrate that the connection was not "abstract" or "speculative." In *Indium II,* the district court held that Indium would have to show that (1) it was ready, willing, and able to manufacture combination covers during the relevant period, and (2) Semi-Alloys' enforcement of its patents excluded Indium from doing so. *Indium II,* 591 F.Supp. at 613-14, 224 USPQ at 407-08.

Indium's antitrust claim is that it was excluded from the business of manufacturing combination covers by Semi-Alloys' enforcement of its patents from 1975 until it actually began production in early 1982. The district court evaluated Indium's preparedness to manufacture during that period by applying the well-known standards set forth in *Waldron v. British Petroleum Co.,* 231 F.Supp. 72, 81-82 (S.D.N.Y.1964). In determining that Indium's level of preparedness did not meet that standard, the district court specifically found that Indium did not have the expertise to manufacture combination covers until September 1981, when it finalized its decision to enter the market. Indium's argument that the district court erred in requiring it to demonstrate its preparedness to enter the combination cover market, rather than the broader market for "gold-tin frames," is irrelevant. If Indium was not prepared to manufacture combination covers until late 1981, no conduct on the part of Semi-Alloys could have injured it. We therefore agree with the district court's conclusion that Indium lacked antitrust standing because there was no connection between any conduct of Semi-Alloys and Indium's alleged "harm."

Declaratory Judgment Jurisdiction

Declaratory judgment jurisdiction under 28 U.S.C. § 2201 exists when an examination of the "totality of the circumstances" indicates that an "actual controversy" exists between the parties involved. *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 272, 61 S.Ct. 510, 511-12, 85 L.Ed.2d 826 (1941); *C.R. Bard v. Schwartz*, 716 F.2d 874, 880 (Fed. Cir. 1983). In the case of an action seeking a [781 F.2d 883] declaratory judgment of patent invalidity or noninfringement, the actual controversy requirement is satisfied when a defendant's conduct has "created on the part of the declaratory plaintiff a reasonable apprehension that it will face an infringement suit if it commences or continues the activity in question" and when the plaintiff has "actually produced the accused device" or has "prepared to produce such a device." *Jervis B. Webb Co. v. Southern Systems, Inc.*, 742 F.2d 1388, 1398-99, 222 USPQ 943, 949 (Fed. Cir. 1984). The test is an objective one—reasonable apprehension, like other jurisdictional prerequisites, must exist at the time suit is filed. *Id.* A purely subjective apprehension of an infringment suit is insufficient to satisfy the actual controversy requirement.

There is no dispute here that Indium has satisfied the second prong of the jurisdictional requirement; when this suit was filed in April 1982, Indium had produced and was ready to distribute commercial quantities of combination covers. The determinative issue in this case is whether Indium has demonstrated the existence of the sort of "ominous business context" which the district court held in *Indium II* would satisfy the actual controversy requirement.

The district court found, however, that the business context was not "ominous" when Indium commenced this lawsuit, noting that Semi-Alloys never sued or threatened to sue Indium on the patents, that Indium believed that Semi-Alloys' patents were invalid, and that Semi-Alloys would therefore not risk filing a patent infringement suit. Indium's primary bases for asserting the ominous nature of the business atmosphere were the fact that Semi-Alloys had sued two other parties on its

patents in 1975 and the fact that the vice-president of Semi-Alloys had sent the president of Indium a letter offering Indium an opportunity to discuss licensing Semi-Alloys' patents on a non-exclusive basis. Indium argues that these factors, combined with a host of other allegedly ominous circumstances, including allegations of a "conspiratorial settlement" of Semi-Alloys' litigation with Williams, the fact that Semi-Alloys had brought suit against Indium in state court for its hiring of Semi-Alloys' chief engineer, and other alleged "threats" that occurred after this suit was filed (and which are therefore irrelevant), indicate that Indium's apprehension that Semi-Alloys would commence an infringement suit was real and reasonable under the circumstances.

Although the apprehension may have been real, we do not agree that it was reasonable on the present record. The declaratory judgment plaintiff carries the burden of proving "the existence of facts underlying" his allegations of the existence of an actual controversy. *Jervis B. Webb Co.*, 742 F.2d at 1399, 222 USPQ at 949. The evidence submitted by Indium does not satisfy that burden. The prior patent litigation initiated by Semi-Alloys in 1975, against two other parties unconnected with Indium, was too remote to make Indium's apprehension of further litigation in 1982 reasonable, insofar as necessary to give standing to bring a declaratory action on that basis. Moreover, Semi-Alloys' letter of February 22, 1982, reprinted in *Indium I* at 566 F.Supp. 1344, 219 USPQ at 795—96, was a mere offer of a license and not in itself, or taken together with the litigation history, a sufficient basis for declaratory jurisdiction. The fundamental requirement for a declaratory action is that there be an actual controversy. The facts before us do not establish one.

The district court's dismissal of Indium's declaratory judgment claims was based on Semi-Alloys' motion for summary judgement. Such a motion for summary judgment under Rule 56, Fed.R.Civ.P., seeks a judgment on the merits of a case. Dismissal for lack of subject matter jurisdiction, however, seeks a judgment in abatement, in that it does not bar future claims. Because Semi-Alloys' motion for summary judgment actually sought a judgment by the district court that it lacked subject

matter jurisdiction, the matter should have been raised by a renewed motion to dismiss under Rule 12(b)(1) (lack of [781 F.2d 884] jurisdiction over the subject matter). *See* 6 J. Moore, *Federal Practice*, ¶ 56.03 (2d Ed. 1985); 5 C. Wright and J. Miller, *Federal Practice and Procedure*, § 1350, at 547 (1969). In deciding such a Rule 12(b)(1) motion, the court can consider, as it did in this case, evidentiary matters outside the pleadings. *See, e.g., Gordon v. National Youth Work Alliance*, 675 F.2d 356, 362-63 (D.C.Cir.1982) (concurring opinion of Chief Judge Bazelon); *Exchange National Bank of Chicago v. Touche Ross*, 544 F.2d 1126, 1130-31 (2d Cir. 1976). The district court could thus have treated Semi-Alloys' motion for summary judgment as a "suggestion" of lack of subject matter jurisdiction and conducted an inquiry into the question of declaratory judgment jurisdiction. We therefore see no error in the district court's handling of the case or in the court's conclusion that, on the evidence presented to the court, it lacked subject matter jurisdiction over Indium's declaratory judgment claims.

Finally, Indium argues that the public interest calls for a full airing of Semi-Alloys' allegedly fraudulently procured patents. On the contrary, to permit Indium to go forward with this case would require this court to ignore statutory limitations on antitrust standing and the statutory "actual controversy" limitation on declaratory judgment jurisdiction. Public policy, of course, dictates dismissal of litigation where there is neither standing nor jurisdiction.

Conclusion

For the foregoing reasons, the judgment of the district court is *affirmed* in all respects.

AFFIRMED.

APPENDIX B

APPENDIX B

"Indium I"

INDIUM CORPORATION OF AMERICA,
Plaintiff,

v.

SEMI-ALLOYS, INC.,
Defendant.

No. 82-CV-482.

United States District Court,
N.D. New York.

[Cite as 566 F.Supp 1344 (N.D.N.Y. 1983)]

July 1, 1983.

MEMORANDUM—DECISION & ORDER

McCURN, District Judge.

Plaintiff Indium Corporation of America ("Indium") is seeking a declaratory judgment of the invalidity, unenforceability, and non-infringement of three patents held by defendant Semi-Alloys, Inc. ("Semi-Alloys"); treble damages for alleged antitrust violations by Semi-Alloys; and damages based on a pendant state law claim of unfair competition. Presently before the court is defendant's motion to dismiss the complaint for lack of subject matter jurisdiction and for failure to state a claim upon which relief can be granted. Rules 12(b)(1)(6), Federal Rules of Civil Procedure. For the reasons set forth below, defendant's motion is granted and the complaint is dismissed, with leave to amend the antitrust claim within 30 days.

Indium and Semi-Alloys are both New York corporations engaged in the manufacture and sale of, *inter alia,* solder preforms or frames, used in the packaging of individual elec-

tronic components. Indium alleges that it has recently expanded its existing manufacturing facilities for preforms by purchasing additional plant and equipment. It asserts an intent to use these facilities for the manufacture of pre-assembled solder preforms and lids.

The complaint states that Semi-Alloys is the record owner of three patents, which cover an "Hermetic Sealing Cover for a [566 F.Supp. 1346] Container for a Semiconductor Device" (U.S. Patent 3,874,549), and a method for fabricating such cover (U.S. Patent 3,946,190) and such container (U.S. Patent 3,823,468). The primary challenge to the validity and enforceability of these patents is Indium's allegation that Norman Hascoe (the president of Semi-Alloys and the patent applicant) and Semi-Alloys concealed from the Patent Office their knowledge that Semi-Alloys had sold over 100,000 of the devices more than one year prior to filing the patent application. Such sales would negate patentability under 35 U.S.C. § 102, which provides that:

> A person shall be entitled to a patent unless . . . (b) the invention was . . . in public use or on sale in the country, more than one year prior to the date of the application for patent in the United states.

Indium further contends that the inventions were obvious and therefore unpatentable in light of the prior art, 35 U.S.C. § 103, and that the Patent Office was never informed of such prior art by Hascoe or Semi-Alloys.

The antitrust claims, discussed in greater detail below, are based on the theory that Semi-Alloys' enforcement of its patents, with knowledge that the patents were wrongfully obtained, constituted an unlawful restraint of trade and injured Indium in an amount of $12 million.

Declaratory Judgment Jurisdiction

Semi-Alloys has moved to dismiss the patent claims under Rule 12(b)(1), contending that there is no actual controversy between the parties and therefore no jurisdictional basis for a declaratory judgment action.

The parties basically agree on the legal criteria used to determine whether there is jurisdiction over a declaratory judgment action against a patentee. The plaintiff must show "a well-grounded fear that should he continue or commence the activity in question, he or one or more of his customers face an infringement suit." *Williams Gold Refining Co., Inc. v. Semi-Alloys, Inc.*, 434 F.Supp. 453, 456 (W.D.N.Y. 1977), or, stated differently, "a reasonable apprehension of an infringement suit or threat of one to itself and its customers if plaintiff continues the activity in question." *Nippon Elec. Glass Co., Ltd. v. Sheldon*, 489 F.Supp. 119, 122 (S.D.N.Y.1980). However, the source of that fear or apprehension must be in the patentee's statements or conduct. *Premo Pharm. Labs v. Pfizer Pharm., Inc.*, 465 F.Supp. 1281 (S.D.N.Y.1979). "[A] reasonable apprehension alone, if not inspired by defendant's actions, does not give rise to an actual controversy." *International Harvester Co. v. Deere & Co.*, 623 F.2d 1207, 1211 (7th Cir.1980). The jurisdictional question, then, is whether the conduct of Semi-Alloys has given Indium a "well-grounded fear" or "reasonable apprehension" of an impending infringement suit.

In its complaint, Indium alleges two bases for its fear of an infringement suit. First, Semi-Alloys had asserted these patents against competitors in three previous lawsuits.[1] Second, Semi-Alloys sent a letter to Indium on February 22, 1982, offering to license Indium under the patents.

In addition, Indium has produced (as an exhibit to its Memorandum of Law) a copy of a complaint in a recently commenced state court action wherein Semi-Alloys sued Indium for, *inter alia*, unfair competition due to Indium's employment of a former Semi-Alloys' manager.[2] In that complaint, which was verified by Hascoe, Semi-Alloys averred that "Plain-

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[1] *Semi-Alloys, Inc. v. Plessey, Inc.*, CA3-75-0549-C, ND Texas, Dallas Div., filed May 5, 1975; *Semi-Alloys, Inc. v. Metalized Ceramics Corp.*, CA3-75-0698-C, ND Texas, Dallas Div., filed June 4, 1975; and *Semi-Alloys, Inc. v. Williams Gold Refining Co., Inc.*, 75-CV-300 (W.D.N.Y. filed July 21, 1975) later transferred to the ND Texas, Dallas Div. and consolidated with the *Metalized Ceramics* case, *supra*, as CA3-77-0919-C, ND Texas.

[2] *Semi-Alloys, Inc. v. Paschall* and *Indium Corp. of America*, Index No. 03790/82 (N.Y. Sup.Ct., Westchester Co.). This suit was terminated by a Consent Judgment and Order, dated September 7, 1982.

tiff has repeatedly received information that defendant Indium [566 F.Supp. 1347] has embarked upon an expansion program to develop, manufacture and market high technology packaging devices similar to Plaintiff's COMBO(R)" (Semi-Alloys' tradename for the patented device).

It is defendant Semi-Alloys' contention that these allegations do not support a reasonable apprehension of an infringement suit. It emphasizes that it has never asserted its patents against Indium or Indium's customers or threatened to do so. Semi-Alloys does acknowledge having commenced two suits on the patents against others—both in 1975 and both of which were settled out-of-court—but it points out that in the third suit cited by Indium, Semi-Alloys was a defendant, not a plaintiff. *Williams Gold Refining Co. v. Semi-Alloys, Inc.*, 434 F.Supp. 453 (W.D.N.Y.1977), *dismissed mem.*, 580 F.2d 1046 (2d Cir. 1978). These prior lawsuits do not, in Semi-Alloys' view, give Indium reason to fear an infringement action against it.

Nor, in Semi-Alloys' view, did its letter to Indium carry any threatening or ominous connotation. The letter, in its entirety, read as follows:

February 22, 1982

Mr. W.N. Macartney
President
INDIUM CORPORATION OF AMERICA
Box 269
1676 Lincoln Avenue
Utica, NY 13503

Dear Mr. Macartney:

Semi-Alloys, Inc. presently has assigned to it the N. Hascoe patents on preassembled lids and solder preforms for the hermetic sealing of semiconductor packages. These are U.S. Patent Numbers 3,823,468; 3,874,549; and 3,946,190.

We wish to let you know that the patents are available for licensing on a non-exclusive basis. If INDIUM does have an

interest in obtaining a license, I would be pleased to discuss the matter with you.

Yours very truly,
SEMI-ALLOYS, INC.
[signature]
Samuel W. Levine
Vice President

Finally, Semi-Alloys insists that, in its suit against Indium in state court, "it did not claim, or even hint at, patent infringement . . ." *Defendant's Reply Memo at 6.*

In *Nippon Elec. Glass Co., Ltd. v. Sheldon, supra,* 489 F.Supp. at 121, Judge Carter observed:

> Because the [Declaratory Judgment] Act has the salutory effect of preventing patentees from threatening alleged infringers with lawsuits without risking a test of the patent's validity, this circuit has construed the "actual controversy" requirement of the Act liberally. *Wembley, Inc. v. Superba Cravats, Inc., supra,* 315 F.2d [87] at 89 [2d Cir, 1963]; *Blessings Corp. v. Altman, supra,* 373 F.Supp. [802] at 805 [S.D.N.Y. 1974].

Moreover, the Court of Appeals has cautioned that, in determining whether a case or controversy exists, it is improper to "ignore the realities of business life." *Muller v. Olin Mathieson Chemical Corp.,* 404 F.2d 501, 505 (2d Cir. 1968).

Nevertheless, to support jurisdiction, there still must be at least "some concrete indication that the defendant patentee claims the plaintiff's activity infringes his patent, and also that he will act affirmatively to enforce the protection which he claims." *Tubeco, Inc. v. Crippen Pipe Fabrication Corp.,* 402 F. Supp. 838 at 844-45 (1975), *quoting, Japan Gas Lighter Ass'n v. Ronson Corp.,* 257 F.Supp. 219 at 237 (D.N.J.1966). As the court in *Japan Gas Ligher, supra,* further noted:

> The mere existence of the [defendant's] patent is not a cloud on title enabling any apprehensive manufacturer to remove it by suit.' . . . The plaintiff's fearful

> conjecture that at some future time the defendant may initiate infringement proceedings will not support the suit.

Id. at 237.

In this instance it appears that the conduct of Semi-Alloys was not sufficiently threatening to induce a "reasonable apprehension" of an infringement suit on the part of Indium. The patentee's record of [566 F.Supp. 1348] commencing two suits on the patents in 1975 could hardly have been a source of great intimidation when this complaint was filed in 1982. At most, that record "indicates that under certain circumstances [Semi-Alloys] will pursue patent infringement litigation to defend what it perceives as an infringement of its patents." *International Harvester Co. v. Deere & Co., supra,* 623 F.2d at 1212. It does not, itself, create a concrete controversy between these parties. *See, International Harvester, supra* (prior suit between the parties involving the same patent does not support declaratory judgment plaintiff's claim of reasonable apprehension of infringement suit with respect to new product); *see also, Premo Phar, Labs. v. Pfizer Pharm., Inc., supra,* 465 F.Supp. 1281 (declaratory judgment defendant's record of vigorous enforcement of its patents does not support plaintiff's apprehension of suit under patent not previously asserted).

Nor does Semi-Alloys' letter to Indium impart any threat, explicit or implicit, of legal action on the patents. Indeed, the letter does not even mention the planned production of the product by Indium. As in *Tubeco, Inc. v. Crippen Pipe Fabrication Corp., supra,* 402 F.Supp. at 845, the communication "was at most the offer of a patent license, not an invitation to a patent contest which would warrant declaratory relief."

Finally, the prosecution of a suit by Semi-Alloys against Indium, in which the complaint refers to the similarity of their products, is not an indication that an infringement action is forthcoming. Semi-Alloys did go to court, but it limited itself to asserting its competition rights under state law, and did not place the patent infringement question in controversy.

It is fair to assume that Indium has a strong desire to resolve the questions concerning the validity of these patents, in order that it might proceed with its expanded production of solder preforms with greater commercial security. However, the plaintiff's eagerness to expand without uncertainty does not empower this court to issue an advisory opinion as to validity of the defendent's patents. A case or controversy, to exist, must stem from the patentee's threatening or ominous conduct. It appears to the court that the conduct of Semi-Alloys is insufficient to create a "reasonable apprehension" of an infringement action on the part of Indium. Accordingly, plaintiff's claim that the patents in question are invalid, nonenforceable, and noninfringed is dismissed. Rule 12(b)(1), Federal Rules of Civil Procedure.

The Antitrust Claim

Indium claims that Semi-Alloys restrained and monopolized trade in violation of 15 U.S.C. §§ 1 and 2 by enforcing patents which Semi-Alloys knew or should have known were invalid and unenforceable. Proceeding under the private right of action afforded by § 4 of the Clayton Act, 15 U.S.C. § 15, Indium seeks treble damages of $36 million on the theory that it was restrained from entering the market in the patented devices by Semi-Alloys' conduct. The claim is generally based on *Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp.*, 382 U.S. 172, 86 S.Ct. 347, 15 L.Ed.2d 247 (1965) wherein the Supreme Court held that:

> the enforcement of a patent procured by fraud on the Patent Office may be violative of § 2 of the Sherman Act provided the other elements necessary to a § 2 case are present.

Id. at 174, 86 S.Ct. at 349.

Semi-Allows has moved to dismiss the complaint pursuant to FedR.Riv.P. 12(b)(6), contending that Indium has failed to allege—and is unable to allege—elements necessary to its antitrust claims. The defendant's primary argument is that Indium cannot allege either a type of injury or a cause of injury that would enable it to proceed against Semi-Alloys under § 4

of the Clayton Act. In addition, the defendant argues that the complaint omits or insufficiently states the following elements necessary to the underlying Sherman Act offenses: a combination, a relevant product and geographic market, the existence of [566 F.Supp. 1349] monopoly power; the probability of monopolization.

A. *Plaintiff's and averments of injury*

The allegations in the complaint describing plaintiff's injury and the cause of that injury are brief and vague. In paragraph 13, Indium alleges that the defendant and others "wrongly enforced one or more of the '468, '549, and '190 patents by means of the aforementioned civil actions, threats, offers to license and licenses . . . " [3] In paragraph 15, Indium alleges that the defendant and others "have actively sought to enforce the '468, '549 and '190 patents against Plaintiff INDIUM . . . ." Paragraph 16 contains the only statement relating the defendant's conduct to the plaintiff's injury:

> 16. Defendant S-A, by all of the aforementioned acts and others actively and unlawfully sought to prevent INDIUM from entering the market for pre-assembled lids and solder preforms, and has unlawfully restrained trade by INDIUM in pre-assembled lids and solder preforms or methods of making or using same, all to the great financial loss and detriment of INDIUM, which acts S-A will not cease until enjoined by this Court.

The final two paragraphs of the antitrust count quantify the damage at $12 million, and demand three times that amount pursuant to antitrust laws.

In opposition to the motion to dismiss, the plaintiff has submitted to the court various exhibits and two affidavits of

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[3] By "aforementioned civil actions," etc., plaintiff is presumably referring to the same conduct alleged previously as a basis for declaratory judgment jurisdiction, i.e.: the defendant sued other manufacturers on the patents, the defendant sent Indium a letter offering to dicuss a license; the defendant sued Indium for unfair competition and mentioned in its complaint that Indium was producting an item similar to its patented device.

William M. MaCartney, president of Indium. The submissions amplify somewhat plaintiff's allegations concerning the nature and cause of its injury. MaCartney attests that Indium had been asked to quote prices on the device in question, but refused to do so "because of the existence of the S-A patents here in suit." *Affidavit of 9/22/82* ¶ 5. He also states in paragraph 6 that:

> At various times INDIUM has considered entering the business of selling the aforementioned pre-assembled lid-frame combination covers, but in each instance INDIUM has decided not to enter that market because of the existence of the S-A patents here in suit, and in more recent years because of INDIUM's knowledge of Semi-Alloy's reputation for enforcing those patents . . .

MaCartney goes on to explain that the combination covers are apparently displacing the previously used devices, and "as a result INDIUM has seen its business in the manufacturing and sales of separate 'frames' decrease from over several million units in 1978 to a projected total of about 150,000 in 1982" *Id.* at ¶ 7. According to MaCartney, Indium learned in July, 1981 of the bases for the invalidity of Semi-Alloys' patents, and it "immediately accelerated its efforts to enter the market with its own pre-assembled lid-frame combination cover product." *Id.* at ¶ 9

In a supplementary affidavit, MaCartney describes the availability of resources and facilities, in furtherance of its argument that it was ready, willing and able to produce the devices but for its fear of an infringement suit. As Indium's president states:

> . . . despite INDIUM's existing facilities and proven technical ability to produce frames, knowledge of pre-assembled combination covers, and existing sales force with existing knowledge of and supplier status with, customers in the industry which purchase the combination cover product, INDIUM was prevented from making and selling the combination cover product *per se* because of the existence of S-A's patents.

> Stated otherwise, S-A's patents and enforcement thereof prevented INDIUM from participating in that segment of the relevant market which [566 F.Supp. 1350] increasingly consumed the combination cover product.

Affidavit of 12/7/82 ¶ 3.

B. *Jurisdiction*

Initially, the court was concerned that the plaintiff lacked constitutional standing to assert its claims, which would necessitate dismissal for lack of jurisdiction. *See Warth v. Seldin,* 422 U.S. 490, 498, 95 S.Ct. 2197, 2204, 45 L.Ed.2d 343 (1975) ("[standing] involves both constitutional limitations on federal-court jurisdiction and prudential limitations on its exercise."). At the court's request, the parties submitted additional briefs on this question.

For an antitrust plaintiff to satisfy the threshold question of constitutional standing, it must be able to allege some "injury in fact" that gives it a personal stake in the outcome of the adjudication. *Associated General Contractors of California, Inc. v. California State Council of Carpenters,* ____ U.S. ____, ____, 103 S.Ct. 897, 907 n. 31, 74 L.Ed.2d 723 (hereinafter "*AGC v. CSCC*"); *See Baker v. Carr,* 369 U.S. 186, 204, 82 S.Ct. 691, 703, 7 L.Ed.2d 663 (1962); Berger & Bernstein, An Analytical Framework for Antitrust Standing, 86 *Yale L.J.* 809, 813 n. 11 (1977). Moreover, the plaintiff must show "that the injury 'fairly can be traced to the challenged action'. . . ." *Valley Forge Christian College v. Americans United for Separation of Church and State, Inc.,* 454 U.S. 464, 472, 102 S.Ct. 752, 758, 70 L.Ed.2d 700 (1982), *quoting, Simon v. Eastern Ky. Welfare Rights Org.,* 426 U.S. 26, 38, 41, 96 S.Ct. 1917, 1924, 1925, 48 L.Ed.2d 450 (1976).

In deciding the jurisdictional question, the Court may, in addition to viewing the allegations in the complaint, consider affidavits or other evidence that indicate whether a possible deficiency in the complaint is correctable. Wright & Miller, 5 *Federal Practice & Procedure* § 1350 at 553-54 (1969). *See Warth v. Seldin, supra* 422 U.S. 490, 95 S.Ct. 2197, 45 L.Ed.2d

343, *passim* (Court considered affidavits to assist it in determining constitutional standing issue).

As with all well-pleaded matters in the complaint, the allegation that Semi-Alloys had placed the devices on sale more than one year prior to filing its patent application is assumed to be true. The complaint and supporting affidavits further indicate that Indium can adequately allege (though not necessarily prove) that it has for some time been ready, willing and able to produce the patented device, that it did not do so because the device was patented, and that it experienced quantifiable losses in its existing business as well as quantifiable losses in its prospective business as a result of the restraint imposed by the patents. The court is satisfied that such allegations would be sufficiently concrete and particular to satisfy the threshold requirement of some "injury in fact" that is "fairly traceable" to Semi-Alloys' challenged conduct.

C. *Antitrust Standing*

Although the plaintiff may be able to establish its constitutional standing, thus warranting the exercise of jurisdiction by this court, it has not necessarily satisfied the more stringent requirement of "antitrust standing." The difference between the two requirements was recently discussed, albeit briefly, by the Supreme Court:

> As commentators have observed, the focus of the doctrine of "antitrust standing" is somewhat different from that of standing as a constitutional doctrine. Harm to the antitrust plaintiff is sufficient to satisfy the constitutional requirement of injury in fact, but the court must make a further determination whether the plaintiff is the proper party to bring a private antitrust action [citations omitted].

AGC v. CSCC, supra, 103 S.Ct. at 907 n. 31.

Antitrust standing is a question of statutory construction. The right to bring a private antitrust action for damages has been conferred by Congress upon "[a]ny person who shall be injured in his business or property by reason of anything

forbidden (566 F.Supp. 1351) in the antitrust laws . . . ." 15 U.S.C. § 15. If plaintiff's allegations place it within the statutory description, it has standing to raise the antitrust claim.

In *AGC v. CSCC, supra,* the Supreme Court analyzed in detail the scope of the private remedy created by § 4 of the Clayton Act. It began by unequivacally noting that the remedy is not as broad as a literal reading of the statutory language would suggest. Instead, it joined with lower courts in concluding "that Congress did not intend the antitrust laws to provide a remedy in damages for all injuries that might conceivably be traced to an antitrust violation." *id.* 103 S.Ct. at 907, *quoting, Hawaii v. Standard Oil Co.,* 405 U.S. 251, 263 n. 14, 92 S.Ct. 885, 891 n. 14, 31 L.Ed.2d 184, nor did Congress "intend to allow every person tangentially affected by an antitrust violation to maintain an action to recover threefold damages for the injury to his business or property." *AGC v. CSCC, supra,* 103 S.Ct. at 907, *quoting, Blue Shield of Virginia, Inc. v. McCready,* 457 U.S. 465, 477, 102 S.Ct. 2540, 2547, 73 L.Ed.2d 149 (1982).

Next the Court summarized the struggle of federal courts "to articulate a precise test to determine whether a party injured by an antitrust violation may recover treble damages," and it listed, without comment, tests that have focused on the directness of the injury, whether the plaintiff is in the "target area" of the antitrust conspiracy, or whether the injury is "arguably within the zone of interest protected by the antitrust laws." *AGC v. CSCC, supra,* 103 S.Ct. at 907-08 n. 33. It declined, however, to announce a new "black-letter rule", instructing instead that the question require an evaluation of the plaintiff's harm, the alleged wrongdoing by the defendants, and the relationship between them. *Id.* at 907-08.[4]

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[4] Generally in this circuit, an antitrust plaintiff had been required to show that it was "within the 'target area' [of] the alleged antitrust conspiracy, i.e., a person against whom the conspiracy was aimed, such as a competitor of the persons sued for antitrust violations." *Calderone Enterprises Corp. v. United Artists Theatre Circuit, Inc.,* 454 F.2d 1292, 1295 (2d Cir. 1971), *cert. denied,* 406 U.S. 930, 92 S.Ct. 1776, 32 L.Ed.2d 132 (1972). The rule required that a plaintiff, "in addition to alleging the ordinary requirement of causa-

(footnote continues)

After evaluating the allegations in the *AGC v. CSCC* case, the Court held that a Union lacked standing to assert a claim that the defendant injured it by coercing third parties and some union members to deal with non-union firms. The Court's concluding paragraph is instructive here in that it indicates what factors the court found determinative of the issue:

> We conclude, therefore, that the Union's allegations of consequential harm resulting from a violation of the antitrust laws, although buttressed by an allegation of intent to harm the Union, are insufficient as a matter of law. Other relevant factors—the nature of the Union's injury, the tenuous and speculative character of the relationship between the alleged antitrust violation and the Union's alleged injury, the potential for duplicative recovery or complex apportionment of damages, and the existence of more direct victims of the alleged conspiracy—weigh heavily against judicial enforcement of the Union's antitrust claim. Accordingly, we hold that, based on the allegations in the complaint, the District Court was correct in holding that the Union is not a person injured by reason of a violation of the antitrust laws within the meaning of § 4 of the Clayton Act.

Id., 103 S.Ct. at 913.

Before evaluating the antitrust claim in the case at bar, the court notes that the normal principles for determining a motion under Fed.R.Civ.P. 12(b)(6) apply. Thus, all material factual allegations in the complaint are accepted as true, and the complaint is construed in favor of the complaining party. *Scheuer v. Rhodes*, 416 U.S. 232 (566 F.Supp. 1352) 236, 94 S.Ct. 1683, 1686, 40 L.Ed.2d 90 (1974); *Conley v. Gibson*, 355

(footnote continued)

tion . . . must allege a causative link to his injury which is 'direct' rather than incidental . . . ." *NAACP v. New York Clearing House Ass'n.*, 431 F.Supp. 405, 408 (SDNY 1977), *quoting, Billy Baxter, Inc. v. Coca Cola Co.*, 431 F.2d 183, 187 (2d Cir. 1970). This case law is now apparently supplanted by *AGC v. CSCC*. *See* 103 S.Ct. at 908 n. 33 ("In our view, courts should analyze each situation in light of the factors set forth in the text, *infra*.").

U.S. 41, 45-46, 78 S.Ct. 99, 101-102, 2 L.Ed.2d 80 (1957). Dismissal is not warranted unless "it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Conley v. Gibson, supra* at 45-46, 78 S.Ct. at 101-102.

However, in contrast to the court's previous inquiry with respect to its subject matter jurisdiction, the present inquiry is limited to the content of the complaint; plaintiff's additional submissions are not cognizable.[5] 5 Wright & Miller, *supra* § 1356 at 592. Moreover, the court will not assume that the plaintiff "can prove facts that it has not alleged or that the defendants have violated the antitrust laws in ways that have not been alleged." *AGC v. CSCC, supra,* 103 S.Ct. at 902.

In this instance the complaint is quite adequate in alleging a wrongdoing by the defendant, i.e., that the defendant obtained its patents knowing that the devices had been offered for sale over a year before filing and were therefore unpatentable. *Complaint* ¶ 12. However, the complaint is woefully inadequate in alleging the plaintiff's harm, and the relationship between the defendant's wrongdoing and the plaintiff's harm.

Turning first to the harm itself, the complaint affords not the slightest hint of whether the $12 million figure is attributable to profits lost in Indium's existing business, prospective profits never realized in the combination cover market, or some other basis for damages. Nor are there any allegations in the complaint that the plaintiff was ready, willing or able to produce and market the patented device.

It is probable that this deficiency can be remedied, at least in part, by permitting plaintiff to amend its complaint. However, it may be noted here that even after amendment, it is clear that the injury sustained by plaintiff's necessarily involves a speculative measure of harm, which is a factor to consider in

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[5] Fed.R.Civ.P. Rule 12(b) permits the court to consider matters outside the pleading if it converts the motion to one for summary judgment. The court, however, has complete discretion to choose between rejecting the material or accepting it and converting the motion. Wright & Miller, *supra* § 1366 at 678. In this instance the court chooses to reject the material, so that the character of the motion might remain what the movant intended it to be.

determining whether the plaintiff has standing to bring the antitrust action. *AGC v. CSCC, supra,* 103 S.Ct. at 911.

The more serious defect in the complaint, in the court's view, involves the absence of factual allegations that would provide the causative link between the defendant's wrongdoing and the plaintiff's harm. Such allegations are necessary to establish, at least for pleading purposes, that the plaintiff is a person who is injured "*by reason* of anything forbidden in the antitrust laws". 15 U.S.C. § 15.

Certainly the defendant's alleged fraud upon the Patent Office does not, in and of itself, confer antitrust standing upon anyone, except perhaps the attorney general. To go further, it seems that a competitor that exercised pure self-restraint, due to the mere existence of a fraudulently obtained patent, would not ordinarily have standing to bring an antitrust action for damages, under the *AGC v. CSCC* analysis. A right of action that broad would almost inevitably involve duplicative recoveries since the suit could be brought by a wide range of potential competitors including those that were not "targets" of defendant's anticompetitive acts. Moreover, it is likely that there would be other competitors—such as those who have been subjected to infringement actions—that would be more appropriate plaintiffs to raise the antitrust claim. These were significant factors in the Supreme Court's determination that the plaintiff in *AGC v. CSCC* lacked antitrust standing.

In this court's view, in order to establish antitrust standing to assert a Walker Process claim, the plaintiff must at least be able to allege facts that indicate that the defendant has enforced, or has sought to enforce, or has threatened to enforce its [566 F.Supp. 1353] fraudulently obtained patent against the plaintiff itself. This is essentially the same standard articulated in *GAF v. Eastman Kodak Co.,* 519 F.Supp. 1203, 1234 (S.D.N.Y.1981) (emphasis added):

> With respect to a § 2 claim founded upon allegations that a patent was procured in contravention of the requirements of § 112 of the Patent Code, an antitrust plaintiff must show that the patents at issue had been obtained improperly by means of an intentional

> fraud on the Patent Office *and that the Patent owner enforced its patents by exclusionary infringement suits or threats of suits.*

Such allegations supply the causative nexus between the defendant's wrongdoing and the plaintiff's injury. The standard also parallels the case and controversy requirement for declaratory judgment jurisdiction over patent suits, thereby obviating the contradictory possibility that a complaint alleging patent invalidity might be sufficient under the antitrust laws, but not under the Declaratory Judgment Act.

Walker Process itself supports this statement of the standing requirement; indeed, its very holding states that:

> The *enforcement* of a patent procured by fraud on the Patent Office may be violative of § 2 of the Sherman Act.

382 U.S. at 174, 86 S.Ct. at 349. (emphasis added) Elsewhere in the decision, the Supreme Court stated that the trial court erred in failing to consider "the injurious consequences *to Walker* of the patent's *enforcement.*" *Id.* at 178, 86 S.Ct. at 351 (emphasis added).

This view of antitrust standing for a Walker Process suit also comports with Justice Harlan's concern in that case that such claims "might well chill the disclosure of inventions through the obtaining of a patent because of fear of the vexations or punitive consequences of treble-damage suits." *Id.* at 180, 86 S.Ct. at 352 (Harlan, J. concurring). *See also GAF Corp. v. Eastman Kodak Co., supra,* 519 F.Supp. 1203 (SDNY 1981) (relatively high standard of proof required in Walker Process-type antitrust suits so as to not "chill the disclosure of inventions.")

Returning to the allegations in the complaint, there are only vague and conclusory statements that Semi-Alloys sought to enforce the patents against Indium. To the extent that the complaint attempts to set forth material facts constituting enforcement, it indicates the insufficiency of that claim. As stated previously in the discussion of declaratory judgment

jurisdiction, the allegations that Semi-Alloys sued other competitors on the patents, offered to discuss a license with Indium, and sued Indium for unfair competition do not amount to enforcement or a threat of enforcement of its patents against Indium. Shorn of those factual underpinnings, the recitation of enforcement in the complaint is hollow and will not, by mere invocation, confer standing upon the plaintiff.[6]

To be sure, all the Federal Rules generally require is "a short and plain statement of the claim showing that the pleader is entitled to relief, Fed.R.Civ.P. 8(a)(2), and there is no special pleading requirement for antitrust claims. *Nagler v. Admiral Corp.*, 248 F.2d 319, 322-23 (2d Cir.1957). However, before this potentially complex and protracted litigation may proceed, plaintiff must set forth in its complaint, in at least general terms, some set of facts that would support antitrust standing. *AGC v. CSCC, supra,* 103 S.Ct. at 903 n. 17 ("Certainly in a case of this magnitude, a district court must retain the power to insist upon some specificity in pleading before allowing a potentially massive factual controversy to proceed."). *See also, Car Freshner Corp. v. Auto Aid Mfg. Corp.*, 438 F.Supp. 82, 86 (N.D.N.Y.1977) (Munson, J.) ("It is true [566 F.Supp. 1354] that, even under today's liberal rules of pleading, courts have consistently required that a Complaint alleging an antitrust violation maintain some degree of specificity.").

Thus, plaintiff's complaint is deficient in its statement of injury, and in its statement of the relationship between the alleged antitrust violation and its alleged injury. It therefore fails to state a claim under 15 U.S.C. § 15 which affords a private right of action for damages only to persons "injured by reason of a violation of the antitrust laws."

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[6] In *Kistler Instrumente, A.G. v. PCB Piezotronics, Inc.*, 76-CV-113 (W.D.N.Y., May 6, 1983), recently submitted by the plaintiff to this court in support of its assertion of antitrust standing, the Walker Process claim was asserted by a party that was, in that same action, defending an infringement claim. Clearly, then, it satisfied the antitrust standing requirement articulated above, that the antitrust plaintiff be able to allege patent enforcement against it.

The preferred remedy for a complaint alleging an antitrust violation that fails to indicate sufficient nexus between the alleged antitrust violation and the injury suffered by the plaintiff is to grant leave to amend the complaint, or alternatively, to order a more definite statement pursuant to Fed.R.Civ.P. Rule 12(e). *Car Freshner Corp. v. Auto Aid Mfg. Corp., supra,* 438 F.Supp. at 86. Having viewed plaintiff's affidavits in the course of determining jurisdictional questions, the Court is doubtful that plaintiff will be able to allege any set of facts that would amount to enforcement, attempted enforcement, or threatened enforcement of defendant's patents vis-a-vis this plaintiff, which is, as stated above, a prerequisite to antitrust standing for a Walker Process suit. Nevertheless, as Wright & Miller state,

> The better practice is to allow at least one amendment regardless of how unpromising the initial pleading appears because except in unusual circumstances it is unlikely that the court will be able to determine conclusively on the face of a defective pleading whether plaintiff can state a claim.

Wright & Miller, *Supra,* § 1357 at 614.

Accordingly, it is hereby ordered that

1. Plaintiff's claim for a declaratory judgment, counts II-IV of the complaint herein, is dismissed pursuant to Fed.R.Civ.P. Rule 12(b)(1).

2. Plaintiff's claim under the antitrust laws, count I of the complaint herein, is dismissed pursuant to Fed.R.Civ.P. 12(b)(6) with leave to amend, provided such amended complaint is filed within thirty days of the date hereof.

3. Plaintiff's claim under state law, count V of the complaint herein, is dismissed pursuant to Fed.R.Civ.P. Rule 12(b)(1). *United Mine Workers v. Gibbs,* 383 U.S. 715, 726, 86 S.Ct. 1130, 1139, 16 L.Ed.2d 218 (1966). This dismissal is without prejudice to a reassertion of the claim in the amended complaint permitted above.

IT IS SO ORDERED.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

INDIUM CORPORATION OF AMERICA,
Plaintiff,

v.

SEMI-ALLOYS, INC.,
Defendant.

82-CV-482

NEAL P. MCCURN, D.J.

ORDER OF AMENDMENT

Plaintiff Indium Corporation of America has moved pursuant to Rule 59(e) Fed.R.Civ.P. to amend this court's Order of July 1, 1983 in various respects. After considering the papers submitted in support and opposition to the motion, the court concludes as follows:

That the addition of a provision granting plaintiff leave to amend its claim for a declaratory judgment, counts II-IV of the complaint, would properly afford plaintiff an opportunity to attempt to remedy the jurisdictional defects found in its previous complaint and would remove the undue burden to plaintiff of having to either commence another action or await conclusion of its antitrust action in order to appeal the dismissal of its declaratory judgment claim; and

That the addition of the words "without prejudice" to paragraphs 1, 2, and 3 of the Order is neither necessary nor appropriate, and will not be added, in order to avoid any doubt that the Order remains effective to preclude relitigation of the precise issues that led to the initial dismissals pursuant to Rules 12(b)(1) and (6); and

That the addition of language establishing the date that the Order shall become final is neither necessary nor appropriate, but that a short extension of time to afford plaintiff an opportunity to prepare an amended complaint in accordance with this Order is appropriate;

It is therefore Ordered that:

The Order of July 1, 1983 be amended so as to read as follows:

1. Plaintiff's claim for a declaratory judgment, counts II-IV of the complaint herein, is dismissed pursuant to Fed.R.Civ.P. Rule 12(b)(1) with leave to amend, provided such amended complaint is filed within thirty days of the date hereof.

2. Plaintiff's claim under the antitrust laws, count I of the complaint herein, is dismissed pursuant to Fed.R.Civ.P. Rule 12(b)(6) with leave to amend provided such amended complaint is filed within thirty days of the date hereof.

3. Plaintiff's claim under state law, count V of the complaint herein, is dismissed pursuant to Fed.R.Civ.P. Rule 12(b)(1). *United Mine Workers v. Gibbs*, 383 U.S. 716, 726 (1966). This dismissal is without prejudice to a reassertion of the claim in the amended complaint permitted above.

IT IS SO ORDERED

Dated: July 21, 1983
Syracuse, New York

NEAL P. MCCURN

Neal P. McCurn
U.S. District Judge

APPENDIX C

APPENDIX C

"Indium II"

INDIUM CORPORATION OF AMERICA,
Plaintiff,

v.

SEMI-ALLOYS, INC.,
Defendant.

No. 82-CV-482.

United States District Court,
N.D. New York.

[Cite as 591 F.Supp. 608 (N.D.N.Y. 1984)]

Aug. 2, 1984.

MEMORANDUM—DECISION AND ORDER

McCurn, District Judge.

Plaintiff Indium Corporation of America ("Indium") commenced this action in June of 1982, seeking a declaratory judgment of the invalidity, unenforceability, and non-infringement of three patents held by defendant Semi-Alloys, Inc. ("Semi-Alloys"); treble damages for alleged antitrust violations by Semi-Alloys; and damages based on a pendent state law claim of unfair competition. Upon motion by the defendant pursuant to Rules 12(b)(1) and (6), Fed. R.Civ.P., this Court dismissed the original Complaint, but granted plaintiff leave to file an Amended Complaint. *Indium Corporation of America v. Semi-Alloys, Inc.*, 566 F.Supp. 1344 (N.D.N.Y.1983), *as amended by Order dated July 21, 1983.* Plaintiff duly filed an Amended Complaint on August 22, 1983. Presently before the Court is defendant's motion to dismiss the Amended Complaint, which is based upon essentially the same grounds as its prior motion to dismiss the original Complaint.

For reasons set forth herein, the Court concludes that the Amended Complaint sufficiently remedies the defects of the original Complaint to withstand the instant motion to dismiss. [591 F.Supp. 611]

Declaratory Judgment Jurisdiction

The patents challenged herein are for an "Hermetic Sealing Cover for Container for a Semiconductor Device" (U.S. Patent 3,874,549), and a method for fabricating such cover (U.S. Patent 3,946,190) and such container (U.S. Patent 3,823,468). Defendant describes the patented device, generally, as a "tack-welded frame lid." *Amended Complaint* ¶ 9. In support of its claim that such patents are invalid and unenforceable, plaintiff alleges, in substance, (a) that Norman Hascoe (the president of Semi-Alloys and the patent applicant) and Semi-Alloys failed to reveal highly relevant prior art to the Patent Office; (b) that Semi-Alloys had sold thousands of the patented units more than a year prior to the filing dates of the patent applications; (c) that the subject matter claimed was obvious; and (d) that Hascoe was not the true and sole inventor, and had misrepresented himself as such to the Patent Office. *Amended Complaint* ¶ 86.

For the Court to have jurisdiction over plaintiff's declaratory judgment claim, the Complaint must allege conduct on the part of Semi-Alloys that has given Indium a "well grounded fear" or "reasonable apprehension" of an impending infringement suit. *Indium v. Semi-Alloys* at 1346. Plaintiff's original Complaint contained allegations that the defendants had asserted the patents-in-suit against competitors in three previous lawsuits; that the defendant had sent a letter to the plaintiff offering to license Indium under the patents; and that the defendant had previously sued Indium for unfair competition, and had indicated in its pleading in that suit an awareness of Indium's "program to develop, manufacture and market packaging devices similar to plaintiff's COMBO(R)" (Semi-Alloy's tradename for the patented device). The alleged conduct was held "insufficient to create a 'reasonable apprehension' of an infringement action on the part of Indium," and

plaintiff's declaratory judgment claims were consequently dismissed for lack of subject matter jurisdiction. *Id.* at 1346-48.

The Amended Complaint, however, places the previously alleged acts in a new light by alleging, in considerable detail, the business context in which such conduct occurred. Plaintiff alleges, for instance, that between 1975 and 1982 the defendant had threatened with infringement suit or had actually sued *every* other supplier of tack-welded frame lids, and had driven all from the market except its co-conspirator, Williams Gold Refining Company, Inc.

More specifically, plaintiff alleges that, in 1975, the relevant market for gold tin frames was supplied by a maximum of seven suppliers: Alpha Metals, Inc., Cominco American, Inc., Consolidated Refining Corp., Plessey, Inc., Williams Gold Refining Company, Inc., Semi-Alloys, Inc. and Indium Corporation of America. Only three of those firms other than Semi-Alloys supplied tack-welded frame lids to the relevant market: CRC, Plessey, and Williams Gold. Semi-Alloys allegedly threatened CRC with a patent infringment suit, and CRC grandually ceased supplying tack-welded frame lids, withdrawing from the market entirely in 1981. Semi-Alloys actually sued Plessey for infringement in 1975, which suit was resolved by a settlement, whereupon Plessey allegedly withdrew entirely from the relevant market. Also in 1975, Semi-Alloys brought an infringement suit against a customer of Williams Gold, which provoked a countersuit by Williams Gold challenging the validity of Semi-Alloys' patents. Those suits were settled in 1981 by an agreement whereby Williams Gold is licensed to supply tack-welded frame lids to the relevant market—an agreement which plaintiff maintains is an illegal effort to preserve Semi-Alloys' fraudulently procured patents for enforcement.

Plaintiff also alleges that those suppliers that had not entered the submarket in tack-welded frame lids experienced decreased sales, *i.e.*, Cominco, Alpha Metals, Indium, and in one case withdrew from the relevant market entirely, *i.e.*, Alpha Metals.

Hence, when Indium entered the submarket in February of 1982, it became not simply one supplier among a field of com- [591 F.Supp. 612] petitors operating in that submarket; it became the only supplier of tack-welded frame aids that had not yet been sued, or threatened with suit, by Semi-Alloys for patent infringement.

Plaintiff also specifies in its Amended Complaint that the tack-welding equipment that it purchased in February of 1982 from CRC was the same equipment CRC had been using at the time it was threatened with a patent infringement suit by Semi-Alloys.

It was in this rather ominous business context that Semi-Alloys' conduct in early 1982 occurred. As described more fully in this Court's prior Decision, Semi-Alloys sent Indium a letter in February informing Indium that its patents were available for licensing; and it then sued Indium in March, alleging in its pleading that Indium "has embarked upon an expansion program to develop, manufacture and market high technology packaging devices similar to plaintiff's COMBO(R)."

The distinction between those declaratory judgment actions which present a case or controversy and those which are hypothetical is "necessarily one of degree." *Maryland Casualty Co. v. Pacific Coal Oil & Co.*, 312 U.S. 270, 273, 61 S.Ct. 510, 512, 85 L.Ed. 826 (1941). In holding that no case or controversy was presented by plaintiff's original Complaint, this Court focused upon the allegations therein of particular acts by the plaintiff that were directed toward the defendant, and found that none of those acts constituted a threat of infringement. However, in its Amended Complaint, plaintiff develops the business context in which such acts occurred, and has thereby added weight to its contention that Semi-Alloys' conduct gave it a "reasonable apprehension" of an infringement suit. As a recently decided Federal Circuit case instructs, "an examination of the totality of the circumstances must be made to determine whether there is a controversy arising under the patent laws." *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874 (Fed. Cir.1983). Moreover, as this Court noted in its prior Decision, in determining whether a case or controversy exists, it is improper to

"ignore the realities of business life." *Indium v. Semi-Alloys* at 1347, *quoting Muller v. Olin Mathieson Chemical Corp.*, 404 F.2d 501, 505 (2d Cir.1968). After viewing the allegations in the Amended Complaint in light of these principles, the Court now concludes that the plaintiff herein has set forth sufficient grounds for contending that it had a "reasonable apprehension" of an infringement suit at the time it commenced this action, and that a case or controversy between these parties therefore exists. Defendant's motion to dimiss the declaratory judgment action for lack of subject matter jurisdiction is therefore denied.

The Antitrust Claims

Plaintiff maintains that in Count I of its Amended Complaint it has alleged at least three distinct violations of federal antitrust laws. First, it asserts a claim of a Sherman § 1 conspiracy, 15 U.S.C. § 1, based on allegations of a conspiratorial settlement by the defendant and Williams Gold of their patent-related litigation, which settlement left intact patents that both knew were invalid. Second, plaintiff claims that the defendant violated Sherman § 2, 15 U.S.C. § 2, by attempting, and succeeding, in monopolizing the relevant market and submarket by enforcing patents that it had fraudulently procured and which were, consequently, invalid. Third, plaintiff claims that the defendant violated both Sherman § 1 and § 2 by instituting a series of suits, including its state court suit against Indium, with the intent to monopolize the relevant market.

In dismissing plaintiff's original Complaint, this Court pointed to a number of deficiencies, but emphasized its insufficiency in "alleging plaintiff's harm, and the relationship between the defendant's wrongdoing and the plaintiff's harm." *Indium v. Semi-Alloys* at 1352. Both of those elements were deemed crucial for the plaintiff to satisfy the requirement of "anti-trust standing," which limits the availability of a private right of action to [591 F.Supp. 613] "[a]ny person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws . . . ." Clayton Act § 4, 15 U.S.C. § 15.

Although the Court expressed in that decision its doubt that plaintiff could overcome the inadequacies in its Complaint, *id.* at 1354, it nevertheless now concludes that plaintiff's Amended Complaint states a claim upon which relief can be granted.

First, with respect to the harm sustained, plaintiff now specifies several types of injury. For instance, plaintiff alleges that "Indium's existing business of making and selling separate frames . . . was radically decreased from a volume of several million units annually in 1978 to a small volume of about one hundred thousand units in 1982 . . . ." *Amended Complaint* ¶ 62A. It estimates losses in that regard of "at least about $100,000." *Id.* ¶ 64A. More prominently, plaintiff alleges that it lost profits of "at least about $12.8 million" that it could have earned through sales of tack-welded frame lids, had it not been restrained by Semi-Alloy's unlawful conduct. ¶¶ 62B, 64B. Finally, plaintiff alleges as damages the legal expenses it incurred in conducting a defense in the state court action brought against it by Semi-Alloys. *Id.* ¶¶ 62C, 64C.

Allegations of injury will support standing only if they are not unduly speculative or duplicative of injuries sustained by others. *Associated General Contractors of California, Inc. v. California State Council of Carpenters*, 459 U.S. 519, 103 S.Ct. 897, 911, 912, 74 L.Ed.2d 723 (1983). Although the losses alleged by plaintiff preclude calculation with exactitude, particularly the loss of profits that the plaintiff allegedly *could have earned* had it not been excluded from the market in tack-welded frame lids, such losses are not more speculative than those typically encountered by the courts. *See Zenith Radio Corp. v. Hazeltine Research*, 395 U.S. 100, 89 S.Ct. 1562, 23 L.Ed.2d 129 (1969); *see generally* P. Areeda, D. Turner, *Antitrust Law* ¶ 344b-c (1978), and "should be proveable under the liberal principles long recognized in antitrust cases." *Crimpers Promotions, Inc. v. Home Box Office, Inc.*, 724 F.2d 290 (2d Cir.1983). Nor does there appear to be a significant risk of duplicative recoveries here: Plaintiff seeks to recover the profits that *it* lost as a restrained competitor, based on estimates of its projected share of an unrestrained market. Without

regard, at this juncture, to any other challenge to these bases for recovery, it is apparent that plaintiff is seeking damages that are distinct from, and do not duplicate, injuries that other potential antitrust plaintiffs might have sustained.

Turning next to the "conceptually more difficult question" of the relationship between the defendant's wrongdoing and the plaintiff's harm, *Blue Shield of Virginia v. McCready*, 457 U.S. 465, 476, 102 S.Ct. 2540, 2547, 73 L.Ed.2d 149 (1982), it should be noted at the outset that, as plaintiff emphasizes, it was a direct competitor in the relevant market; hence "there are no vague links in a lengthy chain of causation . . . ." *Plaintiff's Brief* at 16. *Cf. Associated General* (Union lacked standing to sue for damages it sustained as a result of defendant's coercion of third persons). Indeed, as Areeda and Turner state, "[a] plaintiff has undoubted standing to recover for injuries resulting from the antitrust violations of his 'direct' competitor. Such standing is so clear that it is seldom challenged . . . ." *Antitrust Law* ¶ 340a at 205.

Despite the above-mentioned general rule, plaintiff's original Complaint was found deficient in setting forth the causal link between the wrongdoing and plaintiff's injury because of the absence of two crucial elements. First, plaintiff failed to allege in its original Complaint that it "was ready, willing or able to produce and market the patented device." *Indium v. Semi Alloys* at 1352. Where, as here, the claim asserted is that the defendant unlawfully prevented the plaintiff from engaging in a business, particularized allegations of preparedness are essential. *See Grip Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466, 475 (7th Cir.1982). *See generally*, P. [591 F.Supp. 614] Areeda, D. Turner, Antitrust Law ¶ 335, 173-175. In its Amended complaint, plaintiff amply corrects the previous deficiency by alleging, *inter alia*, that at least since 1976 it had the ability and incentive to expand from its existing business of manufacturing separate gold-tin frames into the related business of manufacturing tack-welded frame-lid combinations. *Amended Complaint* ¶¶ 32-35. On this motion to dismiss, such allegations must be construed liberally and their truth must be assumed.

Second, plaintiff failed, in its original Complaint, to adequately allege that the defendant had "enforced" its allegedly fraudulently-obtained patents. In that regard, the Court expressed the view that in order to state a "*Walker-Process* type-claim," *see Walker Process Equipment Inc. v. Food Machinery and Chemical Corp.*, 382 U.S. 172, 86 S.Ct. 347, 15 L.Ed.2d 247 (1965),

> the plaintiff must at least be able to allege facts that indicate that the defendant has enforced, or has sought to enforce, or has threatened to enfore its fraudulently obtained patents against the plaintiff itself . . . .

Indium v. Semi-Alloys at 1352-53.

Before considering the allegations in the Amended Complaint, the Court is constrained to acknowledge, after consideration of the argument of counsel and further review of the relevant cases and authorities, that it would be a mistake to interpret "enforcement" too narrowly, and thereby limit the remedy of a *Walker Process* type antitrust action to competitors that have actually been sued or threatened with suit by the defendant. The concept must be broad enough to afford a remedy not only to those who actually produced an infringing article and were forced to stop by infringement suit or the threat thereof, but also to those who were ready, willing, and able to produce the article and would have done so but for the exercise of exclusionary power by the defendant. *See SCM Corp. v. Xerox Corp.*, 645 F.2d 1195, 1206 (2d Cir.1981) ("Where . . . acquisition [of the patent] itself is unlawful, the subsequent exercise of the ordinarily lawful exclusionary power inherent in the patent would be a continuing wrong, *a continuing exclusion of potential competitors.*") (Emphasis added); *See also,* P. Areeda, D. Turner, *Antitrust Law* ¶ 335c at 174 ("[I]t is as unlawful to prevent a person from engaging in a business as it is to drive him from it . . . ."). Thus, "enforcement" in the context of claim that the plaintiff was injured by the enforcement of a fraudulently procured patent, does not require proof that the defendant expressly threatened plaintiff with an infringement suit. *See Zenith Radio Corp. v. Hazeltine Research, Inc., supra,*

395 U.S. 100, 89 S.Ct. 1562, 23 L.Ed.2d 129. (Despite absence in record of any specific instance of infringement suit against manufacturer's existing or potential distributors or dealers, evidence of the defendant's more general acts of patent enforcement enabled trial court to infer "that the necessary casual relationship between the pool's conduct and the claimed damages existed." *Id.* at 125, 89 S.Ct. at 1577).

In this instance, plaintiff alleges, inter alia, that it was a direct competitor among a relatively small field of suppliers to the relevant market; that the defendant fraudulently procured the patents in question, and then commenced a course of vigorously enforcing such patents; that between 1975 and 1982 the defendant had threatened with infringement suit or had actually sued every other supplier of tack-welded frame lids, driving all from the market except its co-conspirator; that since 1976, plaintiff was ready, willing, and able to produce tack-welded frame lids but was restrained by the defendant's vigorous course of enforcement; that after learning of grounds upon which the defendant's patents might be held invalid, plaintiff actually commenced producing tack-welded frame lids, whereupon defendant immediately contacted it regarding licensing, and filed suit against it in state court. The Court has already held, *supra*, that such allegations supply the grounds for a "reasonable apprehension" of an impending infringement suit, and therefore create a case or controversy within the Court's declaratory [591 F.Supp. 615] judgment jurisdiction. The Court now holds that such allegations are also sufficient to state that the plaintiff is a person "injured in his property by reason of anything forbidden in the antitrust laws . . . ." Clayton Act § 4, 15 U.S.C. § 15.

Without belaboring the point, it is also clear that the Amended Complaint also supplies allegations that correct the other deficiencies identified in the original Complaint, *e.g.*, the relevant market, the scope of defendant's monopoly power.

Accordingly, defendant's motion to dismiss the Complaint pursuant to Rule 12(b)(1), (6) is hereby denied. In view of the length and complexity of the Amended Complaint (and also in view of the season) defendant is afforded 30 days from the date of entry to answer.

IT IS SO ORDERED.

APPENDIX D

APPENDIX D

"INDIUM III"

INDIUM CORPORATION OF AMERICA,
Plaintiff,

v.

SEMI-ALLOYS, INC.,
Defendant.

No. 82-CV-482.

United States District Court,
N.D. New York.

[Cite as 611 F.Supp. 379 (N.D.N.Y. 1985)]

Feb. 15, 1985.

MEMORANDUM-DECISION AND ORDER

McCURN, District Judge.

Plaintiff Indium Corporation of America ["Indium"] brings this action seeking a declaration of patent invalidity, treble damages for alleged violations of the antitrust laws, and damages based on the pendant state law claim for unfair competition. Presently before the court is defendant Semi-Alloys' motion for summary judgment. Fed.R.Civ.P. 56. For the reasons set forth below, defendant's motion is granted.

The facts of this case are fully set forth in this court's two previous decisions, *Indium v. Semi-Alloys,* 566 F.Supp. 1344 (N.D.N.Y.1983) ["*Indium I*"] and *Indium v. Semi-Alloys,* 591 F.Supp. 608 (N.D.N.Y. 1984) ["*Indium II*"], familiarity with which is assumed. Briefly stated, Indium challenges the validity and enforceability of defendant's patents for "tack-welded

frame lids" or "combination covers" [1] and contends that Semi-Alloys' attempted enforcement of the allegedly fraudulent patents constitutes an unlawful restraint of trade in violation of the antitrust laws.

Semi-Alloys asserts that this court does not have subject matter jurisdiction over the declaratory judgment action and that Indium lacks standing to bring the antitrust action. These threshold issues were previously addressed in *Indium I* and *Indium II*.

In *Indium I*, the court granted Semi-Alloys' motion to dismiss the complaint, holding that Indium's allegations failed to establish a case or controversy concerning the patents sufficient to invoke the court's subject matter jurisdiction and failed to establish Indium's standing to assert antitrust claims. The claims were dismissed without prejudice and Indium was afforded an opportunity to file an amended complaint.

In *Indium II* the court held that Indium alleged sufficient additional facts in the amended complaint which, if true, would establish jurisdiction and standing. Accordingly, the court denied Semi-Alloys' motion to dismiss the amended complaint.

The court then limited initial discovery to the questions of jurisdiction and standing in anticipation of summary judgment

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[1] A tack-welded frame lid or combination cover is composed of two elements, a lid and a frame, which are also sold individually as separate products. A lid is a thin piece of metal plated with gold. A frame is a piece of gold-tin alloy solder in the shape of a picture frame. A tack-welded frame lid or combination cover is a lid and frame that have been joined by tack welding.

Lids and frames, either as separates or as combination covers, are used to seal semiconductor devices into ceramic containers. Semi-Alloys' patents relate to the method of making a combination cover, the combination cover itself, and the method of using a combination cover to seal a semiconductor package.

motions on these threshold issues. That discovery has now been completed.[2] Semi-Alloys contends that the facts uncovered in discovery do not support the allegations contained in Indium's amended complaint and therefore summary judgment in favor of Semi-Alloys must be granted. Indium contends that there are disputed issues of material fact which make summary judgment inappropriate.

It is well established that the party moving for summary judgment must demonstrate the absence of genuine issues of material fact. Fed.R.Civ.P. 56(c); *Project Release v. Prevost*, 722 F.2d 960, 968 (2d Cir.1983); *Cooper v. Ford Motor Co.*, 748 F.2d 677, 679 (Fed.Cir.1984); *F.H. Cobb Co. v. New York State Teamsters Conference and Retirement Fund*, 584 F.Supp. 1181, [611 F.Supp. 381] 1184 (N.D.N.Y.1984). Although it is clear that the burden of demonstrating the absence of material fact is on the moving party, the non-moving party "may not rest upon mere conclusory allegations or denials." *Quinn v. Syracuse Model Neighborhood Corp.*, 613 F.2d 438, 445 (2d Cir.1980) (*quoting SEC v. Research Automation Corp.*, 585 F.2d 31, 33 (2d Cir.1978)). The party opposing summary judgment must come forward with "concrete particulars" demonstrating that there are genuine issues of disputed fact for trial. *Project Release v. Prevost*, 722 F.2d at 969, (*quoting SEC v. Research Automation Corp.*, 585 F.2d 31, 33 (2d Cir.1978)). *See also F.H. Cobb Co. v. New York State Teamsters Conference Pension and Retirement Fund*, 584 F.Supp. at 1184; *Tirolerland, Inc. v. Lake Placid 1980 Olympic Games, Inc.*, 592 F.Supp. 304, 310 (N.D.N.Y.1984).

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[2] Indium and Semi-Alloys have entered into a stipulation of confidentiality which was approved and so ordered by this court on November 12, 1984. The stipulation provides, *inter alia*, that:

> any party may designate as confidential any document that it believes contains trade secrets or other business information of a proprietary or confidential nature. . . . ¶ 1
>
> [i]f confidential material is filed with the Court in connection with a motion or otherwise, it shall be filed under seal. ¶ 6.

In view of this stipulation the court will refer to the various exhibits and depositions by name and numb[illegible]ly.

I. Declaratory Judgment Jurisdiction

The parties do not dispute the law applicable to the issue of declaratory judgment jurisdiction. In order to establish subject matter jurisdiction on its declaratory judgment claims, Indium must show that when it filed this lawsuit, it believed it would be sued for patent infringement by Semi-Alloys. As this court stated in *Indium I*:

> The plaintiff must show "a well-grounded fear that should he continue or commence the activity in question, he or one or more of his customers face an infringment suit." *Williams Gold Refining Co., Inc. v. Semi-Alloys, Inc.*, 434 F.Supp. 453, 456 (W.D.N.Y.1977), or stated differently, "a reasonable apprehension of an infringement suit or threat of one to itself and its customers if plaintiff continues the activity in question." *Nippon Elec. Glass Co., Ltd. v. Sheldon*, 489 F.Supp. 119, 122 (S.D.N.Y.1980).

Indium I at 1346. *See also Indium II* at 611. The test is an objective one; a purely subjective apprehension, without objective reasons for fearing suit, is insufficient to invoke jurisdiction. *See e.g. Indium I* at 1346; *Tubeco, Inc. v. Crippen Pipe Fabrication, Corp.* 402 F.Supp. 838, 844-45 (E.D.N.Y.1975) *aff'd mem.*, 538 F.2d 314 (2d Cir.1976).

In its original complaint Indium alleged that it feared suit because Semi-Alloys had asserted its patent rights against competitors in previous lawsuits and because Semi-Alloys sent Indium a letter offering to license Indium. Additionally, Indium presented documentation that Semi-Alloys commenced suit against Indium and Semi-Alloys' former employee Jack Paschall for theft of trade secrets and breach of an employment contract in connection with Indium's hiring of Paschall ["Paschall action"].

In *Indium I* this court held that, assuming the truth of these allegations, Semi-Alloys' conduct was not sufficiently threatening to induce reasonable apprehension of an infringement

suit in Indium. Specifically, in discussing the allegations concerning prior patent litigation the court stated:

> The patentee's record of commencing two suits on the patents in 1975 could hardly have been a source of great intimidation when this complaint was filed in 1982. At most, the record "indicates that under certain circumstances [Semi-Alloys] will pursue patent infringement litigation to defend what it perceives as an infringement of its patents." *International Harvester Co. v. Deere & Co.*, [623 F.2d 1207, 1212 (7th Cir.1980)]. It does not, itself, create a controversy between these parties.

Indium I at 1347-47.

The court further held that the letter from Semi-Alloys offering to license Indium could not create a fear of suit:

> Nor does Semi-Alloys' letter to Indium impart any threat, explicit or implicit, of legal action on the patents. Indeed, the letter does not even mention the planned production of the product by Indium. As in *Tubeco, Inc. v. Crippen Pipe Fabrication Corp.*, [402 F.Supp. 838, 845 (E.D.N.Y.1975), *aff'd mem.* 538 F.2d 314 (2d Cir.1976)], the communication "was at most the offer of a patent license, not an [611 F.Supp. 382] invitation to a patent contest which would warrant declaratory relief."

Id. at 1348.

Similarly, the Paschall action, which made no mention of the patents, even though Semi-Alloys recognized that Indium was attempting to produce a product similar to Semi-Alloys' patented one, was held to be an insufficient basis for fearing litigation on the patents:

> Finally, the prosecution of a suit by Semi-Alloys against Indium, in which the complaint refers to the similarity of their products, is not an indication that an infringement action is forthcoming. Semi-Alloys did go to court, but it limited itself to asserting its

> competition rights under state law, and did not place the patent infringement question in controversy.

Id.

Thus, as previously noted, these asserted grounds for fearing suit were found insufficient to create a justiciable case or controversy.

In *Indium II* this court found that Indium had corrected the deficiencies in the original complaint by alleging facts which demonstrated that the actions of Semi-Alloys created an ominous business context. *Indium II* at 612. Semi-Alloys contends that it has shown that Indium's allegations regarding this ominous business context are totally unsupportable and that Indium has failed to come forward with any evidence that creates a question of fact on the issue.

Although this court considered the "totality of the circumstances" in reaching its conclusion that the amended complaint adequately alleged declaratory judgment jurisdiction, *Id.* at 612 (*quoting C.R. Bard, Inc. v. Schwartz,* 716 F.2d 874, 880 (Fed Cir. 1983)), three allegations in particular militated in favor of finding the business context ominous. First, Indium alleged that Semi-Alloys had sued or threatened every other supplier of combination covers, driving all such suppliers from the market except Williams Gold Refining Company ["Williams Gold"], an alleged co-conspirator. *Id.* at 611. Second, Indium claimed that because of Semi-Alloys' patents, companies manufacturing separate frames experienced decreased sales and that Alpha Metals, one of these companies, actually withdrew from the relevant market. *Id.* Third, Indium claimed that when it entered the market in February, 1982, it was the only supplier of combination covers that had not yet been sued or threatened with suit by Semi-Alloys. *Id.* at 611-12.

Semi-Alloys contends that discovery has shown that there is no support for Indium's new allegation that, by suit or threat, Semi-Alloys drove every competitor from the combination cover market other than Williams Gold. The manufacturers of combination covers allegedly driven out of the market are identified as Consolidated Refining Corporation ["CRC"] and

Plessy, Inc. ["Plessy"]. *Id.* at 611. Concerning the allegations made by Indium concerning CRC, this court stated:

> Semi-Alloys allegedly threatened CRC with a patent infringement suit, and CRC gradually ceased supplying tack-welded frame lids, withdrawing from the market entirely in 1981.

Id.

The documents produced from Indium's files during discovery directly contradict this allegation. A November 11, 1981 internal Indium memorandum indicates that CRC's owner decided to liquidate the company for personal reasons.[3] Indium also had in its files a September 8, 1981 article from the *Wall Street Journal* which indicated that CRC's reason for liquidation was to take advantage of a substantial tax benefit which would not be available if CRC did not liquidate in 1981.[4] Indeed, Indium's President, William Macartney, admitted in his deposition testimony that he really did [611 F.Supp. 383] not know why CRC went out of business.[5] Indium simply has not come forward with any evidence which supports its allegation that it knew that CRC had been threatened with a patent infringement suit and thus, was driven from the market by Semi-Alloys.

Indium also alleges that Semi-Alloys drove Plessy out of business, but as stated previously, this court held that Semi-Alloys' suit against Plessy "in 1975 could hardly have been a source of great intimidation when this complaint was filed in 1982." *Indium I* at 1348. This court noted that Semi-Alloys also brought suit against Williams Gold for patent infringement. However, this litigation could not have caused Indium apprehension of suit because Indium believed that Semi-Alloys had paid Williams Gold to settle the lawsuit.

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[3] *See* Defendant's Exhibit ["DX"] 39.

[4] *See* DX 38.

[5] Deposition of William N. Macartney, III ["Macartney"] at 260, *see also* pp. 258-65.

Indium contends that the Semi-Alloys-Williams Gold settlement made it more apprehensive because it indicated that Semi-Alloys and Williams Gold had entered into a conspiracy to divide up the relevant combination cover market. Indium, however, has not come forward with any evidence to support this interpretation of the settlement. Indium states in its brief:

> *Contrary* to Semi-Alloys' argument that the fact that INDIUM had heard that Semi-Alloys had paid Williams Gold a substantial sum of money to settle their litigation should have decreased INDIUM's fear of suit, *Mr. Macartney properly recognized* that settlement as a conspiratorial preservation of the monopolized market and of the invalid and fraudulently procured patents which ordinarily would have been disclaimed upon revelation of the facts. (emphasis in original)

Indium's *Memorandum Opposing Summary Judgment* at 17. ["Indium's Memo"].

Indium fails to cite any support for this allegation of conspiracy. Indium does not know what the settlement between Semi-Alloys and Williams Gold involved. Indeed, Semi-Alloys has charged that the reason Indium is bringing this lawsuit is to learn the terms of that settlement.[6]

Indium further alleges that Semi-Alloys forced manufacturers of separate frames to lose customers or to go out of business and specifically that Alpha Metals was forced out of business by Semi-Alloys. This contention is directly contradicted by the deposition testimony of Indium's President Macartney who testified that even in the absence of the Semi-Alloys patents, it was likely that Alpha Metals would have left the separates business.[7] Indium has not produced any evidence suggesting that Alpha Metals was forced out of business by virtue of Semi-Alloys' patents. Moreover, no evidence has been provided to support its allegations that Semi-Alloys' patents

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[6] *See* DX 92, ¶ 3.

[7] Macartney at 510-11.

adversely impacted the separate frames market. While this court recognizes that Semi-Alloys has the burden of demonstrating the absence of material facts, Indium must present some eivdence to refute the evidence produced by Semi-Alloys.

Indium also alleges that when it entered the market in February, 1982 it was the only manufacturer of combination covers that had not been sued or threatened with suit by Semi-Alloys. Indium's own documents demonstrate that it was aware of at least three other companies that made combination covers and were not sued or threatened by Semi-Alloys. For example, Indium was informed by several sources that Device Closures manufactured combination covers.[8] Indium was also told that Cominco and Wesgo were taking orders for combination covers.[9] Indium has failed to produce any evidence to show that it was [611 F.Supp. 384] aware of any legal action taken by Semi-Alloys against any of these companies.[10]

In support of its position Indium has suggested that there is a question of fact on the issue of its reasonable apprehension because its witnesses have testified that they had heard *rumors* of Semi-Alloys' enforcement scheme. Indium contends that reasonable apprehension could be based on rumors that Semi-Alloys would sue anyone who infringed on its patents. Indium asserts that the fact that its witnesses testified that they heard such rumors at least creates a question of fact on the issue. The court disagrees. Semi-Alloys has produced competent evidence refuting each and every new allegation in the amended complaint that relates to declaratory judgment jurisdiction. Indium has not come forward with any evidence demonstrating that such rumors existed or that belief in such rumors without corroborating evidence could create a *reasonable* apprehension of suit.

Indium also relies on a letter from its patent counsel dated February 18, 1982 which states that Indium is proceeding with

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[8] *See* DX 22, 75, 76 at 100034, 77.

[9] *See* DX 75, 85.

[10] Macartney at 495.

the drafting of a counterclaim in anticipation of some affirmative action by Semi-Alloys.[11] Indium claims that this letter demonstrates it had a well grounded fear that it would be sued for patent infringement. It is clear, however, that this February 18 letter was in response to a letter from Indium employee David Bobrek dated January 29, 1982. Mr. Bobrek's letter did not show concern about Semi-Alloys bringing a patent suit. Rather, it asked Indium's patent counsel about the possibility of using the threat of a patent suit *by Indium* to respond to a suit by Semi-Alloys concerning Indium's hiring of Paschall.[12]

Thus, it is clear that what Indium feared was not a patent suit but a suit related to its hiring of Paschall. Rather than fearing a suit related to the patents, it appears that Indium was looking for a way to file a suit concerning the patents.

Semi-Alloys has produced competent evidence, most of it from Indium's own files, demonstrating that the business context was not ominous when Indium commenced this lawsuit. Semi-Alloys never sued Indium on the patents nor did it threaten to sue Indium on the patents. The evidence shows that Indium believed Semi-Alloys' patents were invalid and that Semi-Alloys would therefore not risk filing a patent infringement suit.[13] The allegations in the amended complaint which seek to demonstrate an ominous business context have been effectively refuted by Semi-Alloys' evidence. Indium's opposing papers have primarily recited the same allegations contained in the amended complaint. Indium has not come forward with the "concrete particulars" necessary to refute Semi-Alloys' proof. *Project Release v. Prevost,* 722 F.2d at 969 (*quoting SEC v. Research Automation Corp.,* 585 F.2d 31, 33 (2d Cir.1978).

The proof demonstrates that Indium could not have had a reasonable apprehension of being sued on the patents. Thus, there is no justiciable controversy between the parties con-

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[11] *See* DX 132, ¶ 8.

[12] *See* DX 130, ¶¶ 2, 3.

[13] *See e.g.* DX 92, ¶ 4; DX 91, ¶ 8; Indium's Memo at 21, n. 7.

cerning the patents and this court does not have subject matter jurisdiction over the patent claims. Accordingly, Counts II-IV of the complaint are dismissed.

II. Antitrust Standing

In order to bring its antitrust claim Indium must establish that it has antitrust standing. *See Indium I* at 1350-52. The parties here essentially agree on the law that is applicable in deciding this issue. Simply stated, in order to establish antitrust standing Indium must show that it was injured by the wrongdoing of Semi-Alloys. *See Id.* at 1350-51 and cases cited therein.

In *Indium I* this court found that Indium's original complaint was "woefully in-[611 F.Supp. 385]adequate in alleging the plaintiff's harm, and the relationship between the defendant's wrongdoing and the plaintiff's harm." *Id.* at 1352. the complaint also failed to adequately explain Indium's damages, but "[t]he more serious defect" was the "absence of factual allegations that would provide the causative link between the defendant's wrongdoing and the plaintiff's harm." *Id.*

In *Indium II* the court found that Indium's amended complaint had remedied two "crucial elements" necessary to provide the causal link between Semi-Alloys' alleged wrongdoing and Indium's claimed injury. *Indium II* at 613. First, the court found that the amended complaint adequately alleged that Indium was " 'ready, willing, [and] . . . able to produce and market the patented device.' " *Id.* at 613 (*quoting Indium I* at 1352).[14] Second, the amended complaint adequately alleged that Indium did not produce combination covers because it was excluded from the business by Semi-Alloys' wrongful enforcement of its patents. *Id.* at 614.

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[14] The test was incorrectly set forth in this court's two *Indium* decisions as "ready, willing, *or* able." The proper test, of course, is whether a plaintiff is ready, willing, *and* able.

Semi-Alloys contends that Indium's admissions in discovery contradict these allegations and, accordingly, the antitrust claim must be dismissed for lack of standing. Indium maintains that there is at least a question of fact on the issue of its standing to bring this antitrust lawsuit which makes summary judgment inappropriate.

A. Indium's Preparedness

Indium claims that it has been ready, willing and able to manufacture combination covers since 1975 and would have manufactured them if not for the Semi-Alloys' patents. Semi-Alloys contends that discovery has shown that Indium was not prepared to manufacture combination covers until 1982 when it actually did so. It is clear that Indium did not have to actually manufacture combination covers to demonstrate its "preparedness; it is enough for Indium to show that it had taken serious steps towards being ready to manufacture combination covers.

The standard used for determining whether a plaintiff has established its preparedness was set forth in *Waldron v. British Petroleum Co.*, 231 F.Supp. 72 (S.D.N.Y.1964). The *Waldron* court stated:

> In determining whether a plaintiff has proved the requisite intention and preparedness, the courts have looked for varying combinations of the following typical elements:
>
> 1. The background and experience of the plaintiff in his prospective business. (citations omitted)
>
> 2. Affirmative action on the part of plaintiff to engage in the proposed business. (citations omitted)
>
> 3. The ability of plaintiff to finance the business and the purchase of equipment and facilities necessary to engage in the business. (citations omitted)
>
> 4. The consummation of contracts by plaintiff. (citations omitted)

Waldron, 231 F.Supp. at 81-82. *Accord, Reaemco, Inc. v. Allegheny Airlines,* 496 F.Supp. 546, 554 (S.D.N.Y.1980).

In this court's view Indium does not measure up to this standard. The evidence presented by Semi-Alloys demonstrates that prior to September 1981 when Indium "finalized" its decision to manufacture combination covers, Indium did not have the expertise or experience to manufacture combination covers in house, Indium did not enter into any contracts with subcontractors that might fill the gaps in its in house capabilities, Indium did not acquire the machinery it needed to manufacture the combination covers. In fact, Indium did not make crucial managerial decisions regarding the production of combination covers until December, 1981.[15] Once Indium did "finalize" its decision to go ahead, it [611 F.Supp. 386] took Indium nearly a year before it produced its first combination cover, and Indium admits that this period was considerably shortened by two fortuitous events.[16]

Although Indium had experience in manufacturing frames, a necessary component in a combination cover, and expertise in the gold market, Indium had no experience in manufacturing lids, which are necessary components in a combination cover. A 1979 Indium Committee Report clearly demonstrates that Indium has not been prepared to manufacture combination covers since 1975 as Indium alleges in its amended complaint.[17]

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[15] *See* Macartney at 351.

[16] At the time Indium was attempting to become ready and able to produce combination covers, CRC was liquidating its business. Indium was able to purchase all of CRC's lid and frame dies, plating equipment, tack-welding machines and presses. This equipment was essential for making combination covers.

Indium also hired Jack Paschall, a former Semi-Alloys' employee with experience making combination covers. Mr. Paschall was Indium's first employee with experience in making combination covers.

[17] The Report was prepared by a Combination Cover Committee formed "to take a look at the viability in terms of all matters pertinent to the manufacture of a welded lid-frame." Deposition of William Macartney at 428. The Report concluded that there were rather significant "roadblocks" to Indium's entering the combination cover business. DX 76.

Indium contends that it was ready, willing and able to enter the combination cover business because it could have engaged a subcontractor to do the manufacturing operations it could not perform with its own equipment and expertise, namely, tack welding and lid manufacturing. Indium, however, never contracted with any company to perform these operations. Indium never even discussed having these processes done by a subcontractor. Indium argues that it should not have to fruitlessly engage subcontractors to show that it was ready, willing and able, but this argument misses the point. Indium not only did not hire any subcontractors, it did not even explore the possibility of hiring a subcontractor. To accept Indium's argument would be to hold that the third prong of the *Waldron* test, the ability of the plaintiff to finance the business, is all that is required to show preparedness. Anyone *can* hire a subcontractor to manufacture and assemble the component parts of a product. To argue that the ability to hire a subcontractor makes a company ready, willing and able is to say that anyone is prepared to manufacture a product provided they have the financial wherewithal to hire subcontractors. Such a holding would render the *Waldron* test meaningless. An antitrust plaintiff cannot establish standing by merely stating that it could have been ready, willing and able to enter the business. Indium has not presented any competent evidence that refutes Semi-Alloys' showing that Indium was not prepared to enter the combination cover market until sometime after it finalized its decision to enter that business in September, 1981.

B. Exclusion by Semi-Alloys' Patents

Even if Indium could show that it was ready, willing and able to enter the combination cover business, it must further establish that Semi-Alloys' patents excluded Indium from the business. *See e.g. Associated General Contractors of California, Inc. v. California State Council of Carpenters,* 459 U.S. 519, 103 S.Ct. 897, 74 L.Ed.2d 723 (1983); *Crimpers Promotions Inc. v. Home Box Office, Inc.,* 724 F.2d 290 (2d Cir.1983), *cert. denied,* ____ U.S. ____, 104 S.Ct. 3536, 82 L.Ed.2d 841 (1984). In *Indium I* this court found that the allegations in the original complaint failed to provide a basis for Indium's

standing, in part because the complaint did not adequately allege that Indium had been excluded from the combination cover business by Semi-Alloys. The court stated:

> [A] competitor that exercised pure self-restraint, due to the mere existence of a fraudulently obtained patent, would not ordinarily have standing to bring an antitrust action for damages, under the *AGC v. CSCC* [*Associated General Contractors of California, Inc. v. California State Council of Carpenters* 459 U.S. [611 F.Supp. 387] 519 [103 S.Ct. 897, 74 L.Ed.2d 723] (1983)], analysis. A right of action that broad would almost inevitably involve duplicative recoveries since the suit could be brought by a wide range of potential competitors including those that were not "targets" of defendant's anticompetitive acts. Moreover, it is likely that there would be other competitors—such as those who have been subjected to infringement actions—that would be more appropriate plaintiffs to raise the antitrust claim. These were significant factors in the Supreme Court's determination that the plaintiff in *AGC v. CSCC* lacked antitrust standing.

Indium I at 1352.

In *Indium II* this court held that Indium had adequately alleged enforcement of the patents by Semi-Alloys. The court found that Indium alleged:

> that it was a direct competitor among a relatively small field of suppliers to the relevant market; that the defendant fraudulently procured the patents in question, and then commenced a vigorous course of enforcing such patents; that between 1975 and 1982 the defendant had threatened with infringement suit or had actually sued every other supplier of tack-welded frame lids, driving all from the market except its co-conspirator; that since 1976, plaintiff was ready, willing, and able to produce tack-welded frame lids but was restrained by the defendant's vigorous course

> of enforcement; that after learning of the grounds upon which the defendant's patents might be invalid, plaintiff actually commenced producing tack-welded frame lids, whereupon defendant immediately contacted it regarding licensing, and filed suit against it in state court.

Indium II at 614.

This court has already held, in Part I of this decision, that many of Indium's allegations have been shown to be unsupported by any evidence. Semi-Alloys has presented ample proof that it did not sue or threaten every other supplier of tack-welded frame lids except Williams Gold as Indium alleges. Indium has not come forward with any proof to refute Semi-Alloys' showing that it was not engaged in a "vigorous course of enforcing" its patents. This court also found, in Part II(A) of this decision, that Indium was not ready, willing, and able to produce tack-welded frame lids until sometime after 1981.

Two other allegations of enforcement, namely Semi-Alloy's letter to Indium offering to license Indium and the Paschall action, were found insufficient to create a reasonable apprehension of suit in *Indium I*. *Indium I* at 1348. This court now holds that these two allegations are likewise insufficient as proof of Semi-Alloys' enforcement of its patent against Indium. The letter to Indium was clearly non-threatening and, in the Paschall action, Semi-Alloys "limited itself to asserting its competitive rights under state law, and did not place the patent infringement question in controversy." *Id.* Thus, the only allegations remaining to support Indium's charge of enforcement are those that allege that Indium was a direct competitor of Semi-Alloys and that the Semi-Alloys' patents are fraudulent. Even assuming the truth of these allegations, they are insufficient to show that Semi-Alloys enforced its patents against Indium.

Semi-Alloys has also argued that Indium's failure to seek a license is fatal to its claim that Semi-Alloys enforced its patents against Indium. Semi-Alloys maintains that Indium has no standing to assert it was excluded from the combination cover

business when Indium never attempted to obtain a license. While the court agrees that Indium's failure to make any inquiry regarding possible licensing by Semi-Alloys militates against a finding of enforcement by Semi-Alloys, the court declines to adopt a bright line rule that an antitrust plaintiff must always seek a license from the patent holder or be denied antitrust standing. The court merely finds that Indium's failure to even inquire about the terms of a license supports Semi-Alloys' view that it did not enforce its patents against Indium.

Indium has not come forward with any evidence that Semi-Alloys tried to enforce its patents to keep Indium from the combination cover market. In *Indium II* this court suggested that the concept of "en-[611 F.Supp. 388]forcement" should not be limited to instances where a competitor has been threatened with suit by a defendant. The court stated:

> The concept must be broad enough to afford a remedy not only to those who actually produced an infringing article and were forced to stop by infringement suit or the threat thereof, but also to those who were ready, willing and able to produce the article and would have done so but for the exercise of exclusionary power by the defendant.... Thus, "enforcement" in the context of claim that the plaintiff was injured by the enforcement of a fraudulently procured patent, does not require proof that the defendant expressly threatened plaintiff with an infringement suit.

Indium II at 614.

While the court still adheres to this view, it finds that Semi-Alloys has demonstrated that, under the circumstances presented here, Semi-Alloys did not attempt to enforce its patents against Indium.

C. Damages

Semi-Alloys contends that Indium also lacks antitrust standing because its damages are either unrelated to the patents or speculative and duplicative. Indium contends that Semi-

Alloys' arguments are only directed at Indium's proposed methods of calculating the *amount* of damages and not at Indium's allegations concerning the *fact* of damages. Whatever the merits of these arguments, the court need not reach them as the lack of Indium's preparedness and the absence of proof that Semi-Alloys' enforced it patents against Indium lead the court to conclude that Indium does not have standing to bring its antitrust claim. Hence, Count I of the amended complaint is hereby dismissed.

III. Conclusion

The court finds that Semi-Alloys is entitled to summary judgment on the declaratory judgment counts because Semi-Alloys has demonstrated that the allegations in the amended complaint upon which this court upheld jurisdiction in *Indium II* are without foundation. The documents produced during discovery support Semi-Alloys' contention that Indium could not have had a reasonable apprehension of a patent infringement suit by Semi-Alloys as a matter of law. Accordingly, Counts II-IV of the amended complaint are hereby dismissed. The court also finds that Indium was not ready, willing, and able to enter the combination cover market and that it had not been excluded from the market by Semi-Alloys' patents. Thus, Indium does not have standing to bring its antitrust claim and Semi-Alloys is entitled to summary judgment dismissing Count I of the amended complaint.

Plaintiff's state law claim, Count V of the amended complaint, is also dismissed pursuant to *United Mine Workers v. Gibbs,* 383 U.S. 715, 726, 86 S.Ct. 1130, 1139, 16 L.Ed.2d 218 (1966).

IT IS SO ORDERED.

APPENDIX E

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT
717 MADISON PLACE, N.W.
WASHINGTON, D.C. 20439

December 26, 1985

Francis X. Gindhart
Clerk

RE: Appeal No. 85-2177
Indium Corporation of America vs. Semi-Alloys, Inc.

Dear Counsel:

The Court today announced its decision in the above-entitled appeal.

A copy of the Court's opinion is enclosed, and a judgment in conformity with the opinion has been entered today as required by Rule 36, Federal Rules of Appellate Procedure.

Costs may be recovered (by *Appellant or Appellee*) as provided by Rule 39, Federal Rules of Appellate Procedure.

Very truly yours,

Francis X. Gindhart, Clerk

By (signed)
Deputy Clerk

cc: Roger W. Parkhurst, Esq.
Moses Silverman, Esq.

APPENDIX F

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

No. 85-2177

INDIUM CORPORATION OF AMERICA,
Appellant,

v.

SEMI-ALLOYS, INC.,
Appellee.

ORDER

A petition for rehearing and a suggestion for rehearing in banc having been filed in this case,

UPON CONSIDERATION THEREOF, it is Ordered by the court that the petition for rehearing be, and the same is hereby, Denied.

The suggestion for rehearing in banc is declined.

FOR THE COURT

FRANCIS X. GINDHART

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Francis X. Gindhart, Clerk

Date: February 24, 1986

cc: Roger W. Parkhurst
Moses Silverman

APPENDIX G

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STATUTES INVOLVED

Section 4 of the Clayton Act, 15 U.S.C. § 15

§ 15. Suits by persons injured

(a) Amount of recovery; prejudgment interest. Except as provided in subsection (b), any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. The court may award under this section, pursuant to a motion by such person promptly made, simple interest on actual damages for the period beginning on the date of service of such person's pleading setting forth a claim under the antitrust laws and ending on the date of judgment, or for any shorter period therein, if the court finds that the award of such interest for such period is just in the circumstances. In determining whether an award of interest under this section for any perod is just in the circumstances, the court shall consider only—

(1) whether such person or the opposing party, or either party's representative, made motions or asserted claims or defenses so lacking in merit as to show that such party or representative acted intentionally for delay, or otherwise acted in bad faith;

(2) whether, in the course of the action involved, such person or the opposing party, or either party's representative, violated any applicable rule, statute, or court order providing for sanctions for dilatory behavior or otherwise providing for expeditious proceedings and

(3) whether such person or the opposing party, or eithr party's representative, engaged in conduct primarily for the purpose of delaying the litigation or increasing the cost thereof.

(b) Amount of damages payable to foreign states and instrumentalities of foreign states. (1) Except as provided in paragraph (2), any person who is a foreign state may not recover under subsection (a) an amount in excess of the actual damages sustained by it and the cost of suit, including a reasonable attorney's fee.

(2) Paragraph (1) shall not apply to a foreign state if—

(A) such foreign state would be denied, under section 1605(a)(2) of title 28 of the United States Code [28 USCS § 1605(a)(2)], immunity in a case in which the action is based upon a commercial activity, or an act, that is the subject matter of its claim under this section;

(B) such foreign state waives all defenses based upon or arising out of its status as a foreign state, to any claims brought against it in the same action;

(C) such foreign state engages primarily in commercial activities; and

(D) such foreign state does not function, with respect to the commercial activity, or the act, that is the subject matter of its claim under this section as a procurement entity for itself or for another foreign state.

(c) Definitions. For purposes of this section—

(1) the term "commercial activity" shall have the meaning given it in section 1603(d) of title 28, United States Code [28 USCS § 1603(d), and

(2) the term "foreign state" shall have the meaning given it in section 1603(a) of title 28, United States Code [28 USCS § 1603(a)].

(Oct. 15, 1914, ch 323, § 4, 38 Stat. 731; Sept. 12, 1980, P. L. 96-349, § 4(a)(1), 94 Stat. 1156; Dec. 29, 1982, P. L. 97-393, § 1, 96 Stat. 1964.)

Section 16 of the Clayton Act, 15 U.S.C. § 26

§ 26. Injunctive relief for private parties; exception

Any person, firm, corporation, or association shall be entitled to sue for and have injunctive relief, in any court of the United States having jurisdiction over the parties, against threatened loss or damage by a violation of the antitrust laws, including sections two, three, seven and eight of this act [15 USCS §§ 13, 14, 18, and 19], when and under the same conditions and principles as injunctive relief against threatened conduct that will cause loss or damage is granted by courts of equity, under the rules governing such proceedings, and upon the execution of proper bond against damages for an injunction improvidently granted and a showing that the danger of irreparable loss or damage is immediate, a preliminary injunction may issue: Provided, That nothing herein contained shall be construed to entitle any person, firm, corporation, or association, except the United States, to bring suit in equity for injunctive relief against any common carrier subject to the provisions of the Act to regulate commerce, approved February fourth, eighteen hundred and eighty-seven [49 USCS §§ 1 et seq.] in respect of any matter subject to the regulation, supervision, or other jurisdiction of the Interstate Commerce Commission. In any action under this section in which the plaintiff substantially prevails, the court shall award the cost of suit, including a reasonable attorney's fee, to such plaintiff.

(As amended Sept. 30, 1976, P.L. 94-435, Title III, § 302(3), 90 Stat. 1396.)

Section 1 of the Sherman Act, 15 U.S.C. § 1

§ 1. Trusts, etc., in restraint of trade illegal; penalty

Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. Every person who shall make any contract or engage in any combination or conspiracy hereby declared to be illegal shall be deemed guilty of a felony, and, on conviction thereof, shall be punished by fine not exceeding one million dollars if a corporation, or, if any other person, one hundred thousand

dollars, or by imprisonment not exceeding three years, or by both said punishments, in the discretion of the court.

(July 2, 1890, ch 647, § 1, 26 Stat. 209; Aug. 17, 1937, ch 690, Title VIII, § 1, 50 Stat. 693; July 7, 1955, ch 281, 69 Stat. 282; Dec. 21, 1974, P. L. 93-528, § 3, 88 Stat. 1708; Dec. 12, 1975, P. L. 94-145, § 2, 89 Stat. 801.)

Section 2 of the Sherman Act, 15 U.S.C. § 2

§ 2. Monopolizing trade a felony; penalty

Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony, and, on conviction thereof, shall be punished by fine not exceeding one million dollars if a corporation, or, if any other person, one hundred thousand dollars, or by imprisonment not exceeding three years, or by both said punishments, in the discretion of the court.

(July 2, 1890, ch 647, § 2, 26 Stat. 209; July 7, 1955, ch 281, 69 Stat. 282; Dec. 21, 1974, P. L. 93-528, § 3, 88 Stat. 1708.)

The Declaratory Judgment Act, 28 U.S.C. § 2201

§ 2201. Creation of remedy

(a) In a case of actual controversy within its jurisdiction, except with respect to Federal taxes other than actions brought under section 7428 of the Internal Revenue Code of 1954 [26 USCS § 7428] or a proceeding under section 505 or 1146 of title 11 [11 USC § 505 or 1146], any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

(b) For limitations on actions brought with respect to drug patents see section 505 of the Federal Food, Drug, and Cosmetic Act [21 USCS § 355].

(As amended Nov. 6, 1978, P. L. 95-598, Title II, § 249, 92 Stat. 2672; Sept. 24, 1984, P. L. 98-417, Title I, § 106, 98 Stat. 1597.)